19 May 2017

LightwaveRF plc

(AIM: LWRF)

Interim results for the six months ended 31 March 2017.

LightwaveRF plc ("LightwaveRF" or the "Company"), leading smart home solutions provider for the remote control and monitoring of light, heat, power and security through a wide range of devices via just one app, is pleased to announce its results for the six months ended 31 March 2017.

HIGHLIGHTS

- Revenue for the period of £1,174,000 (2016: £804,000)
- Gross margin of 39.4% (2016: 37.1%)
- Loss before taxation of £333,000 (2016: loss £384,000)
- Current order book of £1,100,000 after invoicing over £500,000 in April
- Total Lightwave Link installations 44,000 to date
- Voice control now over 5,500 users, mostly through Amazon Alexa

Commenting, Barry Gamble, Chairman said:

"We have seen a significant improvement in sales via multiple distributors and continue to develop our technology most recently as a partner of Google. Later this year, we are launching a new range of devices, which we expect also to be Apple Homekit certified, the culmination of an extended period of development work. Under the leadership of our new CEO, we look forward to building further brand awareness and exploiting the wider market opportunity."

For further information:

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About LightwaveRF

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

For further information and to sign up for investor news alerts please visit *www.lightwaverf.com/corporate/*

Interim results for the six months ended 31 March 2017

Chairman's Statement

Much progress has been made in the last few months. Our UK distribution has been developed significantly leading to higher sales volumes and more regular orders. We have also strengthened our customer support offering and increased sales direct to consumers. Revenue for this half year of £1.17 million is already over 80% of the last full year's total of £1.44 million.

Having already successfully integrated our cloud platform with Google Nest, we have now done so with Amazon Alexa and have achieved best in class reviews; a testament to our technology and product capability. Just this week, we announced that LightwaveRF was amongst the launch group of smart home partners for Google Home. Google Assistant voice control for the new Google Home hands-free smart speaker was launched to our user base and featured at Google I/O, the annual worldwide developer festival being held this week. We see voice control of smart home solutions as being very important for our business, both now and in the future.

In December, we strengthened our balance sheet by completing a fundraising of £2.2 million to enable us to continue investing in technology and marketing.

We have restructured the board and appointed Andrew Pearson as our new Chief Executive. He brings with him significant experience in growing technology and Internet related businesses and skills that will strengthen the Company's ability to deliver its strategic goals. He has already made a significant impact on the business, spending much of the first few weeks consulting with colleagues, customers and distribution partners. I believe this has deepened the understanding of our potential and will further accelerate the growth of the business.

In the relatively tight time windows allowed by market regulations, we took the opportunity to make awards of share options to incentivise key members of the executive team. I was also pleased to be able to increase my shareholding both in the December fund raising and in March, immediately after the appointment of the new CEO.

We have seen a significant improvement in sales via multiple distributors and continue to develop our technology most recently as a partner of Google. Later this year, we are launching a new range of devices, which we expect also to be Apple Homekit certified, the culmination of an extended period of development work. Under the leadership of our new CEO, we look forward to building further brand awareness and exploiting the wider market opportunity.

Barry Gamble
Chairman
19 May 2017

Chief Executive's Review

I am delighted to have been asked to lead LightwaveRF through the next phase of our journey. The Internet of Things is transforming the way we all live and work and as such is an arena that brings significant opportunity. I am looking forward to growing the Company in the years ahead through helping people live smarter.

Results

Revenue for the six months ended 31 March 2017 was £1,174,000 (2016: £804,000). The current order book is £1.1 million, following invoicing of over £500,000 in April.

Gross profit was £462,000 (2016: £298,000) with stronger margins of 39.4% (2016: 37.1 %), which reflected an improved sales mix and an increase in direct consumer sales. We have continued our ongoing device development work and the capital investment in our apps and cloud platform to enable us to achieve further product integrations.

For the half year, administration expenses were £913,000 (2016: £771,000), including amortisation of £151,000 (2016: £35,000). Capitalised development expenditure under IAS 38 was £228,000 (2016: £258,000) reflecting savings and better control as more product development work came in house and reliance on external contractors was reduced. After recognising research and development tax credits as other income of £124,000 (2016: £98,000) the loss for the period is reduced to £333,000 (2016: £384,000). The basic loss per share is 1.30 pence (2016: loss 2.03 pence).

Cash absorbed by operations for the period was £942,000 (2016: £509,000); more than two thirds of this was due to working capital movements. We held higher inventories to mitigate the effect of manufacturing lead times. Increased revenues lifted trade and other receivables to £592,000 (2016: £239,000) all of which are within commercial terms. Total loans and borrowings were £770,000 (2016: £855,000). Cash at 31 March 2017 was at £816,000 (2016 £119,000). We currently have an undrawn working capital facility of £1.1 million.

Strategy

LightwaveRF has the potential to be the leader in the international smart home market. As an early pioneer, the Company has the assets upon which we can seek to build market leadership – a known smart home brand, an excellent and wide-ranging set of products (devices, app software and our cloud platform), able and experienced people, deep understanding and experience of the market, and a loyal and growing customer base.

A large proportion of our 44,000 LightwaveRF global installations have been UK based households. Over 5,500 of our customers are using voice controlled smart home automation, mostly Amazon Alexa. As well as winning new customers, our existing customers are increasingly buying more LightwaveRF devices. This is real evidence of the success of our fully integrated approach to smart home automation and our comprehensive product range. With over 15 million households in the UK alone, we have a large available market on our doorstep. We are in the early stages of the smart home revolution and there is a large market opportunity for us to exploit. We expect Amazon Alexa (and the expanding Amazon Echo device range), Google Assistant (and the Google Home hands-free smart speaker) and Apple's Siri (through use on multiple Apple devices) to be sustainable drivers of revenue growth for the Company.

Historically, our technology focus and our limited distribution capability have hindered us. We believe there is an open market opportunity for a UK Company that offers a wide and deep range of integrated smart home solutions to achieve significant scale. In our view, competitors that have gadgets, offer single device or single market segment solutions or are associated with existing major utilities companies are not as well positioned to execute on this opportunity.

Our approach to recruiting will be vital to future growth. We intend to significantly strengthen our management team with additional experienced and able executives in marketing, sales and technology management. This will support and enhance the talented team which has achieved considerable progress to date.

In the period ahead, we intend to take the following key steps:

- ***Solidify and extend our brand*** and our UK household consumer base, and in support of this make a step change in marketing investment.
- ***Launch a new range of devices*** later this year, which we also expect will be Apple Homekit certified, as part of a full product road map in place for delivery through 2018.
- ***Launch an enhanced and redesigned app*** and enable further integrations at both app and cloud levels, to allow our customers better coordination and control of their smart home solutions.
- ***Expand voice control capability,*** building on our recent positive momentum with Amazon Alexa and now Google Assistant for the new Google Home hands-free smart speaker.
- ***Continue to broaden and deepen our channels to market***, including an expansion of our direct sales capability, which will see our products available via our own web site.
- ***Expand our data management efforts*** and build on the work we have already undertaken to offer our customers dashboards that show their energy usage and other smart home data.
- ***Add SMEs and other light industry commercial customers*** where we see good product fit, using a small but growing range of delivery partners.

Outlook

We offer market leading smart home solutions and have deep domain expertise. We have done a lot of work to more fully understand customer needs and how to align our product and services offerings to them. There remains much work to do and additional investment to make as we align our organisation, product set and customer value proposition. We are confident that we have the right strategy in place to scale our Company. Looking further forward, we will begin to prepare for international expansion, and we may make acquisitions that are additive in terms of customers, revenue and technology.

Andrew Pearson
Chief Executive Officer
19 May 2017

Interim accounts for the six months ended 31 March 2017

The financial information contained within these accounts has been prepared by the Directors who accept responsibility for the financial information presented below and confirm that it has been properly presented in accordance with applicable law. The interim financial statements were approved by the Board of Directors on 18 May 2017 and have been prepared on the basis of the accounting policies set out in note 1.

Consolidated statement of comprehensive income

For the six months ended 31 March 2017	Note	6 Months 31-Mar-17 £ (Unaudited)	6 Months 31-Mar-16 £ (Unaudited)	Year Ended 30-Sep-16 £ (Audited)
REVENUE		1,173,973	804,455	1,443,091
Cost of sales		(711,700)	(506,267)	(973,737)
GROSS PROFIT		462,273	298,188	469,354
Other Income		124,000	97,542	211,372
Administrative expenses		(912,667)	(770,542)	(1,489,106)
OPERATING LOSS		(326,394)	(374,812)	(808,380)
Finance expense		(6,828)	(8,910)	(33,074)
LOSS BEFORE TAXATION		(333,222)	(383,722)	(841,454)
Taxation		-	-	-
LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(333,222)	(383,722)	(841,454)
Basic loss per share	2	**1.30p**	**2.03p**	**4.37p**
Diluted loss per share	2	**1.30p**	**2.03p**	**4.37p**

Group statement of financial position

	Note	As at 31-Mar-17 £ (Unaudited)	As at 31-Mar-16 £ (Unaudited)	As at 30-Sep-16 £ (Audited)
ASSETS				
Non-current assets				
Intangible assets	3	**897,704**	**597,067**	**820,094**
Property, plant & equipment		**11,729**	**26,382**	**17,094**
		909,433	**623,449**	**837,188**
Current assets				
Inventories		**213,126**	-	**102,527**
Trade and other receivables		**592,567**	**239,107**	**319,026**
Cash and cash equivalents		**816,018**	**118,676**	**2,116**
Corporate tax recoverable		**313,000**	**213,813**	**189,000**
		1,934,711	**571,596**	**612,669**
TOTAL ASSETS		**2,844,144**	**1,195,045**	**1,449,857**
Equity				
Share capital	4	**1,938,451**	**943,542**	**1,028,737**
Share premium		**5,466,889**	**4,031,813**	**4,153,002**
Reverse acquisition reserve		**(100,616)**	**(100,616)**	**(100,616)**
Share based payment reserve		**63,566**	**31,496**	**51,893**
Profit and loss reserve		**(5,637,809)**	**(4,846,855)**	**(5.304,587)**
Total equity		**1,730,481**	**59,380**	**(171,571)**
Current liabilities				
Trade and other payables		**343,220**	**280,755**	**628,460**
Loans and borrowings	5	**770,443**	**633,942**	**787,279**
Total current liabilities		**1,113,663**	**914,697**	**1,415,739**
Non current liabilities				
Loans and borrowings	5	**-**	**220,968**	**205,689**
TOTAL EQUITY AND LIABILITIES		**2,844,144**	**1,195,045**	**1,449,857**

Group statement of changes in equity

	Issued share capital	Share premium	Reverse acquisition reserve	Share based payments	Accumulated losses	Total equity
	£	£	£	£	£	£
As at 31 March 2016	**943,542**	**4,031,813**	**(100,616)**	**31,496**	**(4,846,855)**	**59,380**
Loss for the period and total comprehensive income	-	-	-	-	(457,732)	(457,732)
Share based payments	-	-	-	20,397	-	20,397
Shares issued	85,195	132,051	-	-	-	217,246
Share issue costs	-	(10,862)	-	-	-	(10,862)
As at 1 October 2016	1,028,737	4,153,002	(100,616)	51,893	(5,304,587)	(171,571)
Loss for the period and total comprehensive income	-	-	-	-	(333,222)	(333,222)
Share based payments	-	-	-	11,673	-	11,673
Shares issued	909,714	1,455,542	-	-	-	2,365,256
Share issue costs	-	(141,655)	-	-	-	(141,655)
As at 31 March 2017	**1,938,451**	**5,466,889**	**(100,616)**	**63,566**	**(5,637,809)**	**1,730,481**

Group statement of cash flows

	6 Months	6 Months	Year ended
	31-Mar-17	31-Mar-16	30-Sep-16
	£ (Unaudited)	£ (Unaudited)	£ (Audited)
Cash flow from operating activities			
Loss for the period	(333,222)	(383,722)	(841,454)
Adjusted for:			
Depreciation and amortisation	165,494	74,674	123,078
Share based payments	11,672	8,420	33,074
Finance expense	6,828	8,910	28,817
Tax credit in respect of R&D	(124,000)	(97,542)	(211,372)
Foreign exchange loss on convertible loan	-	-	90,911
Increase in inventories	(110,599)	-	(102,527)
(Increase) / decrease in trade and other receivables	(273,540)	400,376	320,457
Decrease in trade and other payables	(285,240)	(520,492)	(172,788)
Cash absorbed by operations	**(942,607)**	**(509,376)**	**(731,804)**
Tax credits in respect of R&D	-	-	138,644
Finance costs paid	(6,828)	(8,910)	(33,074)
	(949,435)	**(518,286)**	**(626,234)**
Cash flows from investing activities			
Purchase of property, plant & equipment	(9,622)		(4,378)
Deferred development expenditure	(228,117)	(256,724)	(514,489)
	(237,739)	**(256,724)**	**(518,867)**
Cash flows from financing activities			
Net proceeds from issue of shares	2,223,601	-	206,384
Advances in respect of invoice discounting arrangements	(19,311)	-	53,791
Repayment of convertible loan note	(47,971)	-	(15,394)
Repayment of borrowings	(155,243)	(150,142)	(141,392)
	2,001,076	**(150,142)**	**103,389**
Net increase/ (decrease) in cash and cash equivalents	813,902	(925,152)	(1,041,712)
Cash and cash equivalents at start of period	2,116	1,043,828	1,043,828
Cash and cash equivalents at end of period	**816,018**	**118,676**	**2,116**

Notes to the Interim financial statements

1. Accounting policies

Basis of accounting

The financial information covers the six months ended 31 March 2017. There have been no changes to policies applied and disclosed in the annual financial statements for the year ended 30 September 2016.

The interim report has been prepared in accordance with the recognition and measurement principles that are consistent with International Financial Reporting Standards (IFRSs) as endorsed by the European Union using accounting policies that are expected to be applied for the financial year ending 30 September 2017. The financial information in this interim report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The financial information for the year ended 30 September 2016 does not constitute the full statutory accounts for that period, but is derived from those accounts. The Annual Report and Financial Statements for 2016 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Going concern

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

2. Loss per share

	6 Months	**6 Months**	**Year ended**
	31-Mar-17	**31-Mar-16**	**30-Sep-16**
	£	**£**	**£**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Numerator			
Loss used for calculation of basic and diluted earnings per share	**(333,222)**	**(383,722)**	**(841,454)**
The weighted average number of shares were:			
Denominator			
Weighted average number of ordinary shares	**25,565,840**	**18,870,855**	**19,272,323**
Loss per share	**1.30p**	**2.03p**	**4.37p**
Diluted loss per share	**1.30p**	**2.03p**	**4.37p**

3. Intangible assets

	Deferred development costs	Platform	Total
	£	£	£
FIXED ASSETS – Group			
Cost			
As at 1 April 2016	91,548	568,216	659,764
Additions	(8,526)	266,291	257,765
As at 30 September 2016	83,022	834,507	917,529
Additions	131,551	96,566	228,117
As at 31 March 2017	214,573	931,073	1,145,646
Accumulated amortisation			
As at 1 April 2016	-	62,697	62,697
Charge for the period	-	34,738	34,738
As at 30 September 2016	-	97,435	97,435
Charge for the period	-	150,507	150,507
As at 31 March 2017	-	247,942	247,942
Net book value as at 31 March 2017	214,573	683,131	897,704
Net book value as at 30 September 2016	83,022	737,072	820,094
Net book value as at 31 March 2016	91,548	505,519	597,067

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

The directors have undertaken an impairment review and have concluded that the value of the intangible assets are supported by the discounted future cash flows forecast by the group.

4. Share capital

	As at 31-Mar-17	As at 31-Mar-16	As at 30-Sep-16
	£	£	£
Issued share capital	(Unaudited)	(Unaudited)	(Audited)
38,769,031 Ordinary shares of 0.5p each	**1,938,451**	**943,542**	**1,028,737**
Allotted, issued and fully paid			
Ordinary share capital brought forward	**1,028,737**	**943,542**	**943,542**
Issue of ordinary shares:			
Issue for cash	**909,714**	**-**	**85,195**
	1,938,451	**943,542**	**1,028,737**

5. Loans and borrowings

The carrying value which is a reasonable approximation to fair value of borrowings is as follows:

	As at 31-Mar-17 £ (Unaudited)	As at 31-Mar-16 £ (Unaudited)	As at 30-Sep-16 £ (Audited)
Current			
Convertible loan note	**493,517**	**463,972**	**541,488**
Invoice discounting loan	**34,480**	**-**	**53,791**
Other loan	**242,446**	**169,970**	**192,000**
Total loans and borrowings current	**770,443**	**633,942**	**787,279**
Non-current			
Other loan	**-**	**220,968**	**205,689**
Total loans and borrowings	**770,443**	**854,910**	**992,968**

The convertible loan note carries an interest rate of 3%.