

26 May 2016

LightwaveRF plc

(AIM: LWRF)

Interim results for the six months ended 31 March 2016

LightwaveRF plc (“LightwaveRF” or the “Company”) is the Internet of Things (“IoT”) provider of the LightwaveRF platform and connected devices enabling domestic and commercial users to remotely monitor and control light, heat, power and security by smartphone, tablet or PC. It is pleased to announce its results for the six months to 31 March 2016.

HIGHLIGHTS

- Revenue of £804,000 (2015: £1,517,000); up 38% on second half of last year
- Gross margin of 37% (2015: 41%)
- Post-tax loss of £384,000 (2015: profit £118,000)
- Current order book of £750,000
- New £1.1 million revolving working capital facility
- Users 35,000
- Live devices now almost 250,000
- New Eastern European distribution and manufacturing partner appointed
- Independent report on Warwick University project shows savings of up to 46%

Commenting, Barry Gamble, Chairman said:

“Achieving the further reach and diversity of our distribution base has taken time. While we recognise there is more to do the increased number of distribution and sales outlets coupled with some technology refinements positions us well to make further solid progress in the coming months.”

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Interim results for the six months ended 31 March 2016

Chairman's statement

I am pleased to report the results for the six months ended 31 March 2016 and to update shareholders on the progress and developments made in the business since my last report. There have been a number of significant developments.

Financial results

Revenues were £804,000 (2015: £1,517,000) which although substantially down on the comparative period belie the progress we now feel we are making. We would not deny that that the growth in the first half of the year has been slower than hoped but revenues were up by 38% on the second half of the last financial year so our monthly run rate has progressed well.

Gross profit was £298,000 (2015: £626,000) with margins which at 37% (2015: 41%) were down on last year but again showed a good improvement on the second half of 2015.

As envisaged after the fundraising completed late in the 2015 financial year, we have been able to invest further in product development and in particular have been seizing the opportunity offered by some potentially powerful partnerships. At the same time we have also pushed more aggressively on marketing investment to drive future sales growth. These actions were reflected in a substantial increase in administrative expenses to £771,000 (2015: £571,000). In addition £257,000 (2015: £108,000) of development expenditure was capitalised in accordance with IAS 38.

The Company reports a pre tax loss of £481,000 (2015: profit £45,000). With the benefit of research and development tax credits this loss is reduced to £384,000 after tax (2015: profit £118,000). The basic loss per share was 2.03 pence (2015: earnings of 0.94 pence).

Cash absorbed by operations at £509,000 (2015: £424,000) shows that a substantial amount of cash has been deployed during the period as we have invested in marketing and product development but cash has also been applied to improve working capital. Trade debtors are all within terms as at 31 March 2016. The Company has repaid £150,000 (2015: £37,000) of its long term debt which has reduced its outstanding loans and borrowings.

On 25 May 2016 the Company announced it had agreed a revolving £1.1 million invoicing and trade financing facility with Santander that will help the Company meet its growing working capital needs as sales increase.

Sales and distribution

The pipeline of distribution, customer and sales opportunities has continued to build during the period. The Company's current order book stands at approximately £750,000.

The market's awareness of the offering continues to increase, with almost 250,000 lighting, power and heating devices already connected to the LightwaveRF platform, which we believe is more than anyone

else in this market in the UK. In addition to our own platform, we are also now taking an open platform approach to allow interface with other third party IoT products. This approach has been reinforced by the recent launch of several IFTTT (If This Then That) channels. Integration with a number of other leading IoT platforms and device manufacturers is now in process.

The Innovate UK project at Warwick University has now been running for two years. An independent report by Innovate UK has been recently produced which demonstrates that with the LightwaveRF thermostatic radiator valves and smart window switches energy savings of up to 46% are achievable. This evidence will enable us to more effectively promote our Building Management Solutions. In addition such validation of the LightwaveRF system should support the further development of our distribution outlets in the UK, Europe, India and Australia.

We have recently signed a distribution and manufacturing agreement with a long standing Eastern European operator. They will also become a manufacturing and technology partner in addition to our partner arrangements in Asia. This additional capability is intended to shorten the time to market for new products and significantly reduce order to delivery lead times. The new partner sell 200,000 domestic heating systems in Eastern Europe each year where they will act as our sole distributor; giving LightwaveRF access to these markets. The LightwaveRF platform will provide internet connectivity for this Eastern European partner extending their product range with LightwaveRF devices.

Outlook

Achieving the further reach and diversity of our distribution base has taken time. While we recognise there is more to do the increased number of distribution and sales outlets coupled with some technology refinements positions us well to make further solid progress in the coming months.

Barry Gamble
Chairman

26 May 2016

Interim accounts for the six months ended 31 March 2016

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 23 May 2016 and have been prepared on the basis of the accounting policies set out in note 1.

Statement of comprehensive income

For the six months ended 31 March 2016		6 Months 31-Mar-16	6 Months 31-Mar-15	Year Ended 30-Sep-15
		£	£	£
CONTINUING OPERATIONS	Note	(Unaudited)	(Unaudited)	(Audited)
REVENUE		804,455	1,516,635	2,100,932
Cost of sales		(506,267)	(890,142)	(1,430,907)
GROSS PROFIT		298,188	626,493	670,025
Administrative expenses		(770,542)	(571,344)	(1,070,043)
(LOSS)/PROFIT FROM OPERATIONS		(472,354)	55,149	(400,018)
Finance expense	2	(8,910)	(10,395)	(18,551)
(LOSS)/PROFIT FOR THE PERIOD BEFORE INCOME TAX		(481,264)	44,754	(418,569)
Tax credit on profit on ordinary activities		97,542	73,601	187,436
(LOSS)/ PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(383,722)	118,355	(231,133)
(LOSS)/ EARNINGS PER SHARE	3			
Basic		(2.03p)	0.94p	(1.73p)
Diluted		(2.03p)	0.92p	(1.73p)

Statement of financial position

		As at 31-Mar-16 £ (Unaudited)	As at 31-Mar-15 £ (Unaudited)	As at 30-Sep-15 £ (Audited)
	Note			
ASSETS				
Non-current assets				
Intangible assets	4	597,067	108,358	403,039
Property, plant & equipment		26,382	54,375	38,359
		623,449	162,733	441,398
Current assets				
Trade and other receivables		239,107	1,036,338	639,483
Cash and cash equivalents	7	118,676	57,456	1,043,828
Corporate tax recoverable		213,813	-	116,272
		571,596	1,093,794	1,799,583
TOTAL ASSETS		1,195,045	1,256,527	2,240,981
Equity				
Issued share capital	6	943,542	629,774	943,542
Share premium account		4,031,813	2,991,610	4,031,813
Reverse acquisition reserve		(100,616)	(100,616)	(100,616)
Share based payment reserve		31,496	-	23,076
Accumulated losses		(4,846,855)	(4,113,644)	(4,463,133)
Total equity		59,380	(592,876)	434,682
Current liabilities				
Trade & other payables		280,755	697,080	801,247
Loans & borrowings	5	633,942	630,220	624,911
Total current liabilities		914,697	1,327,300	1,426,158
Non current liabilities				
Loans & borrowings	5	220,968	522,103	380,141
TOTAL EQUITY & LIABILITIES		1,195,045	1,256,527	2,240,981

Statement of changes in equity

	Issued share capital	Share premium account	Reverse acquisition	Share based payment	Accumulated losses	Total equity
	£	£	£	£	£	£
As at 31 March 2015	629,774	2,991,610	(100,616)	-	(4,113,644)	(592,876)
Loss for the period and total comprehensive income	-	-	-	-	(349,489)	(349,489)
Share based payments	-	-	-	23,076	-	23,076
Shares issued	313,768	1,129,568	-	-	-	1,443,336
Share issue costs	-	(89,365)	-	-	-	(89,365)
As at 1 October 2015	943,542	4,031,813	(100,616)	23,076	(4,463,133)	434,682
Loss for the period and total comprehensive income	-	-	-	-	(383,722)	(375,302)
Share based payments	-	-	-	8,420	-	8,420
As at 31 March 2016	943,542	4,031,813	(100,616)	31,496	(4,846,855)	59,380

Statement of cash flows

		6 Months 31-Mar-16	6 Months 31-Mar-15	Year ended 30-Sep-15
	Note	£ (Unaudited)	£ (Unaudited)	£ (Audited)
Cash flow from operating activities				
(Loss)/ profit after tax		(383,722)	118,355	(231,133)
Adjusted for:				
Depreciation and amortisation		74,674	7,937	23,953
Share based payments		8,420	-	23,076
Finance expense	2	8,910	10,395	18,551
Tax credit for the year		(97,542)	(73,601)	(187,436)
Decrease/ (Increase) in trade and other receivables		400,376	(691,547)	(272,141)
(Decrease)/ Increase in trade and other payables		(520,492)	204,147	330,443
Cash absorbed by operations		(509,376)	(424,314)	(294,687)
Finance costs paid		(8,910)	(10,395)	(18,551)
		(518,286)	(434,709)	(313,238)
Tax credits received in respect of research and development		-	228,147	225,710
		-	228,147	225,710
Cash flows from investing activities				
Deferred development expenditure		(256,724)	(108,358)	(403,039)
		(256,724)	(108,358)	(403,039)
Cash flows from financing activities				
Proceeds from issue of shares		-	191,414	1,545,385
Repayment of bank borrowings		-	(4,675)	(4,675)
Repayment of borrowings		(150,142)	(37,026)	(228,977)
		(150,142)	149,713	1,311,733
Net (decrease)/increase in cash and cash equivalents		(925,152)	(165,207)	821,166
Cash and cash equivalents at start of period		1,043,828	222,663	222,662
Cash and cash equivalents at end of period	7	118,676	57,456	1,043,828

Notes to the Interim financial statements

1. Accounting policies

Basis of accounting

The financial information covers the six months ended 31 March 2016. There have been no changes to policies applied and disclosed in the annual financial statements for the year ended 30 September 2015.

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 2016. 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 2015 does not constitute the full statutory accounts for that period, but is derived from those accounts. The Annual Report and Financial Statements for 2015 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2015 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 Group business activities together with the factors likely to affect its future development, performance and financial position are set out in the reviews contained in the Statutory Accounts to 30 September 2015 on pages 3 - 14. In addition, note 19 to those financial statements includes the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposure to credit risk, exchange risk and liquidity risk.

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

2. Finance expense

	6 Months 31-Mar-16	6 Months 31-Mar-15	Year Ended 30-Sep-15
	£	£	£
	(Unaudited)	(Unaudited)	(Audited)
Finance expenses			
Bank loan interest	-	542	574
Convertible loan interest	6,991	6,917	13,610
Bank charges	1,919	2,936	4,367
	8,910	10,395	18,551

3. Earnings per share

From continuing operations

	6 Months 31-Mar-16	6 Months 31-Mar-15	Year ended 30-Sep-15
	£	£	£
	(Unaudited)	(Unaudited)	(Audited)
Numerator			
(Loss) / profit used for calculation of basic and diluted earnings per share	(383,722)	118,355	(231,133)
The weighted average number of shares were:			
Denominator			
Weighted average number of ordinary shares	18,870,855	12,595,480	13,372,339
Effect of outstanding options shares	-	237,536	-
	18,870,855	12,833,016	13,372,339
Basic (loss)/ earnings per share	(2.03p)	0.94p	(1.70p)
Diluted (loss) / earnings per share	(2.03p)	0.92p	(1.70p)

4. Intangibles assets

	Deferred development costs	Platform	Total
	£	£	£
FIXED ASSETS – Group			
Cost			
As at 1 April 2015	-	108,358	108,358
Additions	36,648	258,033	294,681
As at 30 September 2015	<u>36,648</u>	<u>366,391</u>	<u>403,039</u>
Additions	54,900	201,825	256,725
As at 31 March 2016	<u>91,548</u>	<u>568,216</u>	<u>659,764</u>
Accumulated amortisation			
As at 1 April 2015	-	-	-
Charge for the year	-	-	-
As at 30 September 2015	<u>-</u>	<u>-</u>	<u>-</u>
Charge for the year	-	62,697	62,697
As at 31 March 2016	<u>-</u>	<u>62,697</u>	<u>62,697</u>
Net book value as at 31 March 2016	<u>91,548</u>	<u>505,519</u>	<u>597,067</u>
Net book value as at 30 September 2015	<u>36,648</u>	<u>366,391</u>	<u>403,039</u>
Net book value as at 31 March 2015	<u>-</u>	<u>108,358</u>	<u>108,358</u>

The group has started to amortise the intangible asset as certain projects being capitalised have completed by the end of 31 March 2016.

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

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

5. Loans and borrowings

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

	As at 31-Mar-16 £ (Unaudited)	As at 31-Mar-15 £ (Unaudited)	As at 30-Sep-15 £ (Audited)
Non-current			
Deferred payment agreement	220,968	522,103	380,141
Current			
Convertible loan note	463,972	468,058	465,971
Bank loan	-	-	-
Deferred payment agreement	169,970	162,162	158,940
Total loans and borrowings	633,942	630,220	624,911
	854,910	1,152,323	1,005,052

Long term borrowings of £463,972 are secured by five year loan notes and carry an interest rate of 3%. On 24 May 2016 the company agreed a revolving working capital facility of £1.1 million with Santander.

6. Share capital

	As at 31-Mar-16 £ (Unaudited)	As at 31-Mar-15 £ (Unaudited)	As at 30-Sep-15 £ (Audited)
Authorised Share Capital	1,000,000	1,000,000	1,000,000
20,000,000 Ordinary Shares of 0.5p each			
Allotted, Issued and fully paid			
Ordinary Share Capital brought forward	943,542	605,060	629,774
Issue of ordinary shares			
Issue for cash	-	24,714	313,768
	943,542	629,774	943,542

7. Cash & cash equivalents

	As at 31-Mar-16 £ (Unaudited)	As at 31-Mar-15 £ (Unaudited)	As at 30-Sep-15 £ (Audited)
Cash available on demand	118,676	57,456	1,043,828
