21 January 2020

LightwaveRF plc
(AIM: LWRF)

Final Results for year ended 30 September 2019

LightwaveRF plc ("LightwaveRF", “Lightwave” or the “Company”), the leading smart home solutions provider, is pleased to announce its audited final results for the year ended 30 September 2019.

HIGHLIGHTS

Financials

- Revenue of £4.09 million (2018: £2.81 million), up 46%
- Challenging last quarter with revenue held back mostly due to working capital and reduced digital marketing spend and revenue slippage
- Gross profit £1.32 million (2018: £0.83 million)
- Gross margin 32.1% (2018: 29.3%)
- Loss before and after taxation £3.61 million (2018: £2.54 million)
- Investment in research and development £1.34 million (2018: £1.60 million)

Technology and Products

- The Lightwave Smart Series technology range launched into the European market
- Smart Series customers up by threefold
- Further enhancements with the key voice platforms of Google, Amazon and Apple and now Samsung
- Integration of heating products from Honeywell Home by Resideo
- Manufacturing now focused in Asia and mainland Europe with prototyping now predominately in-house

Marketing

- Significant marketing investment with an absolute focus on customer acquisition
- Major improvements in eCommerce performance
- End of sale of Connect Series products to focus on 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
- Development of Lightwave Pro, trade channel focused sales, marketing and support activity

Outlook

- Revenue run rate for the first quarter of the 2020 financial year demonstrates a near return to early FY2019 levels

Jason Elliott, Chief Executive of Lightwave, commented:
“We continue to see a substantial market opportunity for Lightwave demonstrated by month on month revenue growth for the first three quarters of the year. Despite revenue being held back in the final quarter, we are pleased to see that our revenue was up almost 50% during the year to £4.09m, with revenue for Q1 2020 almost returning to levels seen in early 2019. This increase in sales has been driven in part by our expansion into the professional channels and improved direct to consumer sales, which increased our Smart Series customers threefold. We believe that Lightwave is well positioned to execute in this rapidly developing market”.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information:

LightwaveRF plc Jason Elliott, CEO Kevin Edwards, CFO	*www.lightwaveRF.com* +44 (0) 121 250 3625
Shore Capital Tom Griffiths/David Coaten	*www.shorecap.co.uk* +44 (0) 207 408 4090
Yellow Jersey PR Charles Goodwin/Annabel Atkins	*www.yellowjerseypr.com* +44 (0) 7747 788 221

About LightwaveRF
Lightwave is Europe's leading supplier of installed home automation technology.

Lightwave products offer convenient automation, control and monitoring of lighting, heating and power via its app, Apple HomePod, Amazon Alexa or Google Assistant. Lightwave is also integrated with Samsung SmartThings and EVO protocols from Honeywell Home by Resideo.

With market leading quality and wireless range, the modular system enables users to begin with a small number of devices and grow over time to easily control an entire property.

Devices are retrofittable using existing standard wiring and are easy to install. Lightwave also recommends a network of approved, qualified electricians who have been trained by the Company.

In markets across Europe, Lightwave products can be purchased from the Company directly or from approved stockists, including Apple, Amazon, ScrewFix and wholesalers, including Rexel and CEF.

Lightwave technology can also be specified as a pre-installed option in newly built properties from Berkeley Homes in partnership with E.ON Home, Urban Splash and Trivselhus.

Leading tech industry publication 9to5 Mac described Lightwave as "the best UK HomeKit solution for smart lighting" and Trustpilot rates Lightwave 'Excellent 'with 4.5 stars.

For further information and "Newsletter sign up", please visit:
www.lightwaverf.com/corporate/

Chairman's statement

Overview
The last year has presented a number of challenges, but nonetheless further good progress has been made. Underpinning this is a growing number of enthusiastic and knowledgeable customers who are highly appreciative of Lightwave products and the technical support provided to ensure a really good user experience. This is reflected in customer endorsements on Trustpilot being at 4.5 stars, a rating of excellent.

We have further refined our distribution by working with a number of partners. We have also successfully developed our direct to consumer proposition through the website and telesales. The LightwavePRO initiative of dedicated training courses for professional electricians is also fast becoming a unique selling point of the Lightwave business.

Results

During the first three quarters of the financial year, revenue increased significantly, and this presented a real challenge in the financing of working capital. We had anticipated being able to quickly sort this issue, but the resolution took much longer than anticipated. In particular the board did not foresee the required publication of a circular to shareholders. I would not underestimate the considerable amount of board time needed and the distraction from the day to day business inherent in this process. This amounted to a significant opportunity cost to your company.

As a result, progress stalled in the final quarter through a combination of revenue held back by stock shortages, reduced digital marketing spend and some associated one-off costs. A further significant revenue contribution at the end of the financial year did not materialise, but is still in prospect for later this calendar year.

Nonetheless, revenue at £4.1 million increased by 46% over last year (2018 £2.8 million) with direct to consumer revenue contributing significantly. The shifting revenue mix and attention to improving efficiencies is now being seen in improving margins.

Board and staff

Led by the Chief Executive, the Lightwave team continues to raise its game. Despite the headwinds experienced in the last part of the year, the team has continued to deliver, from better design and product development through to highly attentive customer support. I would like to thank all staff, specialist contractors and our key suppliers and partners for their continued commitment to the success of the company.

The board has been unchanged during the year, but we do plan to take the opportunity to strengthen and refresh as the business develops.

Outlook

We continue to see a substantial market opportunity for Lightwave as currently defined, but also in the wider context of the need to ensure optimal energy usage in response the the threat of climate change. Lightwave has without doubt made a lot of progress this year, has strong relationships with leading technology and other companies all of which position it well for further success.

Barry Gamble
Chairman
20 January 2019

Chief Executive's report

Introduction
We made a solid start to 2019 with progressive month on month revenue growth for the first three quarters of the year. The solid foundation of high-quality saleable products, meant that investing in marketing and sales was required to sustain that growth.

The decision made in 2017 to develop, market and distribute the Lightwave range of products for the European market has continued to require more resource and take longer than had been earlier anticipated. Some of the technical refinement required for the European market has been directly applied to the development of the UK Smart Series. The wider functionality, higher margin and sheer saleability of Smart has now prompted us to withdraw the Connect Series from all of our principal outlets.

Multiple and protracted fundraisings during the year and securing a stock financing facility which has not worked out in practice, has made the management of working capital an ongoing challenge. As a result, revenue was held back in the last quarter but did still increase for the full year by 46% to £4.09 million (2018 2.81 million).

The specific challenges experienced in the last quarter impacted revenue. We became out of stock on some of our most popular lines. Reduced direct sale and e-commerce demand caused by a halt to digital marketing, directly impacted our e-commerce and direct sales. The consequent reduction in brand awareness resulted in stock returns from some retail distribution partners. The withdrawal of the Connect Series did impact revenue, but we are confident this was the right decision for the future. Lastly, the unexpected late delay of an order from a major UK DIY brand of in-store stock profiles for all their nationwide branches was delayed. These events equated to a £1.5 million shortfall in revenue.

Managing through all these issues prompted the decision to review costs and efficiencies across the business. As a result, a number of actions have now been taken to reduce the underlying cost base to further improve margins and reduce overheads. So, as we focus on revenue growth, we are also determined to shorten the timetable to profitability.

These actions have been followed through further with the announcement on 18 November 2019 of a wide-ranging strategic review which is still in process.

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 with manufacturing outsourced to Asia and mainland Europe. Our in-house engineering team now includes design and 3-D printing capability for prototype development. So, for products such as the new wire free switch, the time to market and cost of external prototyping have been reduced by more than 50%.

Alongside our existing integrations with partner ecosystems such as Apple HomeKit, Amazon Echo and Google Home, Lightwave now integrates with Samsung Smart Things. In addition, and in partnership with Resideo under a unique shared protocol arrangement, Lightwave links with heating devices from the Honeywell Home by Resideo range of products.

We have over 10 years of engineering know-how 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
Direct sales from our own website and internal sales team have increased significantly and are now making a good contribution in terms of gross margin and cash generation. Much of this is down to the introduction of the new e-commerce platform driven by Shopify Plus and the overall effectiveness of marketing led demand creation for direct sales channels. We continue to target investment in digital marketing to directly generate sales demand with an emphasis on consumer messaging and education. This is supported by comprehensive media relations programs.

Our improved processes and tools to capture and process customer feedback and to make it easier to give direct reviews has also brought about real recognition of Lightwave's service and support offering. Following the introduction of Trustpilot, Lightwave has achieved an "Excellent" 4.5 Star rating.

Sales and Distribution
We set out this year to focus on four primary sales channels: direct to consumer via online presence and telesales team; sales through premium retailers such as Apple; sales through online retailers such as Amazon and Screwfix; and trade sales focusing on supply to electrical contractors and installers.

Whilst direct to consumer, online and telesales have proved to be a significant contributor to total revenue, retail sales have been less buoyant and have experienced a higher degree of seasonality. This has prompted more sales and marketing effort to be diverted to the trade and professional sectors promoted through Lightwave PRO. This professional accreditation scheme has been designed to train and support professional electricians and contractors to specify and install Lightwave products. This is being augmented through partnerships with national electrical wholesalers such as Rexel. We continue to support our supply to Apple UK and European stores in Belgium, France, Germany, Holland and Sweden as well as Apple online in 22 countries.

2019 Results
Revenue was 46% up on last year at £4.09 million (2018 £2.81 million). The strong performance in the first half of the year did continue but not through into the last quarter.

For the full year 51.5% of total sales (2018 44.1%) came from direct sales.

Gross profit increased significantly to £1.32 million (2018: £0.83 million). Gross margin increased to 32.1 % (2018: 29.3 %). The gross margin was held back by the decisions to clear the Connect Series range and through the Increased costs of initial UK manufacture of the European Smart Series products.

Administrative expenses increased substantially to £5.36 million (2018 £3.74 million) with a greater commitment to marketing and sales in particular in the recruitment of key staff. Capitalised development costs under IAS 38 reduced to £1.18 million (£1.47 million). Whilst this is lower than the previous year, it is still significantly higher than expected due to the complex nature of further development of the Smart Series technology specifically for the European market. As expected, the related amortisation of these intangible assets increased to £0.79 million (£0.61 million). As identified last year, we do believe a longer-term view can properly be taken on amortisation periods, and as such, have decided to extend the life of the platform assets from three to five years for new additions in the last two years.

During the year the directors raised an impairment provision in the Parent company of £10.1 million against the intercompany loan following a review. This does not impact the group accounts.

Research and development tax credits of £0.47 million (2018 £0.41 million) were recognised as other income before stated pre-and post-tax losses of £3.61 million (2018 £2.54 million). On 6 November 2019, the Company drew down a £352,628 loan secured against and repayable from research and development tax credits receivable.

Although the loss increased, cash absorbed by operations decreased significantly to £1.94 million (2018 £2.95 million). The increased demand for working capital resulting from the substantial increase in revenue was mitigated through reduced inventories and debtors while we made further reliance on creditors. Cash invested, almost all in the further development of our technology, reduced slightly to £1.49 million (2018 £1.53 million). Cash balances at 30 September 2019 were £0.48 million (£0.47 million).

New IFRS
During the year, the Group and Parent Company implemented IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customers. There has been no impact on the Group's financial statements due to these new standards being implemented. Please refer to note 1b ii for more details on the new standards.

There are no other new standards, interpretations and amendments expected to have an effect on the Company's or Group's future financial statements.

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:

	2019	Target	2018	Target
New Smart Series Customers	5,742	7,236	3,618	5,000
New smart devices deployed	50,180	60,000	22,467	25,000
Monthly temperature and energy data - millions	100	100	61	50

The board monitors growth in the customer and device base as this is a strategic measure of the adoption of Lightwave products.

Investment in research and development:

	2019	2018
	£ million	£ million
• Expensed	0.16	0.13
• Capitalised	1.18	1.47
	1.34	1.60

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:

i) Customer concentration and relationships
As a growing company in a very fast evolving field the Group understand that one of the key risks is not being able to be noticed by the customers over the other products in the market. By increasing the number of distributors, the Group seeks to mitigate this risk. The increase in direct consumer sales also reduces reliance on distributors. The Lightwave Pro training program further mitigates this risk.

ii) 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.

iii) 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 minimal amount of product purchased from Europe may result in additional tariffs but as this represents only a small amount of products purchased the effect is not expected to result in a major impact in this area. 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.

Lightwave has the very real prospect of achieving significant UK and international scale, and 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. 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
- Increase awareness of our international device range, through 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; and
- Build on our 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
Supported by an appropriate level of investment and the ability for senior management to fully focus on value-added business management, Lightwave is well positioned to execute in this rapidly developing market. Our alignment towards the professional channels of electrical installers, contractors and selected wholesalers through Lightwave PRO, will work seamlessly with our internal sales team and our eCommerce platform. The ability for Lightwave's products to be professionally installed by qualified electricians is already proving appealing to both the end consumer, the electrical installer, and our wholesale stockist partners alike.

On behalf of the board

Jason Elliott
Chief executive officer
20 January 2020

Consolidated statement of comprehensive income
for the year ended 30 September 2019

	Notes	2019	2018
		£	**£**
REVENUE	2	**4,094,299**	2,813,997
Cost of sales		**(2,779,002)**	(1,988,426)
GROSS PROFIT		**1,315,297**	825,571
Other Income	4	**472,171**	410,848
Administrative expenses	3	**(5,386,155)**	(3,767,583)
OPERATING LOSS	3	**(3,598,687)**	(2,531,164)
Finance expense	6	**(12,275)**	(13,486)
LOSS BEFORE TAXATION		**(3,610,962)**	(2,544,650)
Taxation	7	**-**	-
LOSS FOR THE YEAR		**(3,610,962)**	(2,544,650)
Other comprehensive income		**-**	-
LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		**(3,610,962)**	(2,544,650)
Loss per share - basic	8	**3.48p**	3.80p
Loss per share - diluted	8	**3.48p**	3.80p

Group statement of financial position
as at 30 September 2019

	Notes	2019 £	2018 £
ASSETS			
Non-current assets			
Intangible assets	10	**2,453,516**	2,070,485
Property, plant and equipment	11	**293,005**	50,132
		2,746,521	2,120,617
Current assets			
Inventories	13	**908,937**	992,991
Trade and other receivables	12	**346,448**	677,887
Cash and cash equivalents	18	**476,733**	469,550
Corporate tax recoverable		**470,171**	410,848
		2,202,289	2,551,276
Total assets		**4,948,810**	4,671,893
Equity & liabilities			
Shareholders equity			
Share capital	21	**6,040,941**	3,578,632
Share premium	21	**9,720,540**	8,726,774
Reverse acquisition reserve	21	**(100,616)**	(100,616)
Share based payment reserve	21	**81,295**	88,340
Profit and loss account	21	**(12,305,511)**	(8,694,549)
Total shareholders equity		**3,436,649**	3,598,581
Current liabilities			
Trade and other payables	14	**1,041,426**	615,860
Loans and borrowings	14	**412,017**	423,892
Total current liabilities		**1,453,443**	1,039,752
Provisions			
Warranty provision	15	**58,718**	33,560
Total equity & liabilities		**4,948,810**	4,671,893

The Financial Statements were approved and authorised for issue by the Board of Directors on 20 January 2020 and were signed on its behalf by:

Jason Elliott
Chief executive officer

Kevin Edwards
Chief financial officer

Group statement of cashflows
for the year ended 30 September 2019

	Notes	2019	2018
		£	£
Cash flow from operating activities			
Loss for the year		**(3,610,962)**	(2,544,650)
Adjusted for:			
Depreciation and amortisation		**868,147**	646,849
Finance expense		**12,275**	13,486
Share based payments		**(7,045)**	17,529
Other income		**(470,171)**	(412,794)
Decrease/(Increase) in inventories		**84,054**	(604,979)
Decrease/(Increase) in trade and other receivables		**331,439**	(194,140)
Increase /(Decrease) in trade and other payables		**450,724**	(118,253)
		(2,341,539)	(3,196,952)
Research and development tax credits received		**410,848**	249,946
Finance costs paid		**(12,275)**	(13,486)
Cash absorbed by operations		**(1,942,966)**	(2,960,492)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(316,346)**	(59,905)
Development expenditure made in the year		**(1,177,705)**	(1,471,724)
		(1,494,051)	(1,531,629)
Cash flows from financing activities			
Proceeds from issue of shares		**3,948,824**	5,248,579
Costs associated with issue of shares		**(492,749)**	(344,429)
Invoice discounting repaid		**-**	(8,341)
Repayment of convertible loan note		**(15,784)**	(49,975)
Repayment of other loan		**-**	(120,115)
		3,440,291	4,725,719
Net increase in cash and cash equivalents		**3,274**	233,598
Effective of exchange rate changes		**3,909**	14,019
Cash and cash equivalents as at the beginning of the year		**469,550**	221,933
Cash and cash equivalents as at the end of the year	18	**476,733**	469,550

Group statement of changes in equity
for the year ended 30 September 2019

	Issued Share Capital £	Share Premium £	Reverse Acquisition Reserve £	Share Based Payment Reserve £	Profit and loss Account £	Total Equity £
As at 1 October 2018	3,578,632	8,726,774	(100,616)	88,340	(8,694,549)	3,598,581
Comprehensive income for the year						
Loss for the year	-	-	-	-	(3,610,962)	(3,610,962)
Total comprehensive expense for the year	-	-	-	-	(3,610,962)	(3,610,962)
Contributions by and distributions to owners						
Share based payments	-	-	-	(7,045)	-	(7,045)
Shares issued	2,462,309	1,486,515	-	-	-	3,948,824
Share issue costs	-	(492,749)	-	-	-	(492,749)
Total Contributions by and distributions to owners	2,462,309	993,766	-	(7,045)	-	3,449,030
As at 30 September 2019	6,040,941	9,720,540	(100,616)	81,295	(12,305,511)	3,436,649

	Issued Share Capital £	Share Premium £	Reverse Acquisition Reserve £	Share Based Payment Reserve £	Profit and loss Account £	Total Equity £
As at 1 October 2017	1,938,452	5,462,804	(100,616)	70,811	(6,149,899)	1,221,552
Comprehensive income for the year						
Loss for the year	-	-	-	-	(2,544,650)	(2,544,650)
Total comprehensive expense for the year	-	-	-	-	(2,544,650)	(2,544,650)
Contributions by and distributions to owners						
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)
Total Contributions by and distributions to owners	1,640,180	3,263,970	-	17,529	-	4,921,679
As at 30 September 2018	3,578,632	8,726,774	(100,616)	88,340	(8,694,549)	3,598,581

1. ACCOUNTING POLICIES

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.

New Standards

A number of new standards and amendments to existing standards have been published which are mandatory and are effective for the year ended 30 September 2019. 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 including the convertible loans will continue to be carried at amortised cost and therefore there has not been any additional impact on these financial statements following the adoption of the new accounting standard in the 2019 financial year.

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

There has not been additional impact on these financial statements following the adoption of the new accounting standard in the 2019 financial year.

New Standards mandatory, but not effective for the year ended 30 September 2019
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 are still assessing the impact of adopting the new standard and conclusions regarding the practical expedients to be used when the standard is adopted.

Going concern

The Directors, having made suitable enquiries, analysis and judgements, consider that the Group has adequate resources to continue in business for at least 12 months from the date of approval of these financial statements. 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 cash flow and applied sensitivities thereto, which show that the Group will require additional funding. In addition, it has also considered the availability of, and access to, debt and equity finance. Committed Capital Limited, which holds 36.98% of the Parent Company's issued share capital directly through its Nominee entities and controls 37.84% through the Committed Capital Concert Party, has also confirmed its continued willingness to invest the additional capital into the Parent Company that is required in-order to fulfill its strategy, although this support is not legally binding could invest a further 12% in the Group. The Board have started a Strategic review and have factored the raising of further required capital into its plan to continue operating as a going concern and to follow its current strategy.

The Directors recognise that there must be material uncertainty regarding their going concern assessment. Inter alia there is no legally binding commitment from the major shareholder. Although this may cast significant doubt on the ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements, the Directors are continuing to actively pursue a number of funding options.

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 2019 £	**Group 2018 £**
United Kingdom	**3,515,508**	2,764,612
Middle East	**-**	49,385
Rest of Europe	**578,791**	-
	4,094,299	2,813,997

Revenues of £855,323 related to one distributor customer (2018: £625,922).

Channel analysis of revenue is as follows:

	Group 2019 £	Group 2018 £
Direct	**2,107,187**	1,240,526
Distribution	**1,379,918**	1,206,526
Trade	**607,194**	366,945
	4,094,299	2,813,997

3. OTHER INCOME

	Group 2019 £	Group 2018 £
Apprentice grant receivable	**2,000**	-
Research and development tax credits receivable	**470,171**	410,848
	472,171	410,848

4. 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 2019.

	2019	2018
Numerator		
Loss used for calculation of basic and diluted earnings per share	**£3,610,962**	£2,544,650
Denominator		
Weighted average number of ordinary shares used for the calculation of basic and diluted EPS	**103,813,479**	66,952,179
	pence	**pence**
Loss per share- basic	**3.48**	**3.80**
Loss per share- diluted	**3.48**	**3.80**

At 30 September 2019, there were 5,494,000 (2018: 3,954,000) of potentially issuable shares which are anti-dilutive; such shares may become dilutive in future periods.

5. POST BALANCE SHEET EVENTS

Since the financial year end, on 6 November 2019, the Company has drawn down a £352,628 loan secured against and repayable from research and development tax credits receivable. This loan is secured by a fixed and floating charge over the Company's assets and carries an interest rate of 1.5% per month. It is expected that the loan will be repaid by the end of February 2020.

The Directors have also started a strategic review process in order to find additional finance from a financial or larger corporate partner in order to support the Board's growth plan. This was announced on 18 November 2019.

Since 30 September 2019, the Company has issued shares and raised funds (net of expenses) through subscription as follows:

	Shares issued No.	**Issue Price £**	**Amount raised £**
9 October 2019	1,121,437	0.07	78,500
31 October 2019	698,515	0.07	48,896
13 December 2019	944,680	0.07	66,128
	2,764,632		193,524
Less expenses			(9,676)
			183,848

The unaudited pro forma net assets of the Company after these transactions is as follows:

As at 20 January 2020 revised shares in issue and net assets	123,583,446	3,620,497

6. ANNUAL REPORT

A copy of this announcement is available, and the Annual Report from which it is extracted will be available later today, on the Company's website www.lightwaveRF.com. The Annual Report will be posted to shareholders shortly.