

**LightwaveRF PLC**  
**Half Yearly Report**

RNS Number : 9926N  
LightwaveRF PLC  
22 May 2015

**22 May 2015**

**LightwaveRF Plc**  
(AIM: LWRF)

**Interim Results for the six months ended 31 March 2015.**

LightwaveRF plc ("LightwaveRF" or the "Company"), the creator of the LightwaveRF Smart Home Platform and products for the Internet of Things enabling households and businesses to remotely operate and control applications including lighting, power, heating and security using smartphones, tablets, PC and MAC applications, is pleased to announce its results for the six months to 31 March 2015.

**HIGHLIGHTS**

- Maiden profits
- Profit of £118,355 post tax
- Further improvement in margins to 41%
- Heating product sales began
- 3 Patents filed in EU for lighting and heating products
- Building Management Solutions software ready to launch

Commenting, Mike Lord, Chairman and CEO said:

*"We are delighted to report our first six month profit. We are also very excited about the future outlook having made significant technology advances, particularly in software. As these are launched into the market over the second half, we also expect to see significant additional customer announcements."*

**For further information:**

**Contacts:**

**LightwaveRF Plc**  
Mike Lord, CEO

[www.lightwaveRF.com](http://www.lightwaveRF.com)  
+44 (0) 1902 500 562

**WH Ireland Limited**  
Mike Coe/Ed Allsopp (Corporate Finance)  
Jasper Berry (Institutional Sales)

[www.wh-ireland.co.uk](http://www.wh-ireland.co.uk)  
+44 (0) 117 945 3470  
+44 (0) 20 7220 0473

## **Interim Results for the six months ended 31 March 2015**

### **Chairman's Statement**

I am pleased to report another period of continuing progress for the Company. The period has seen a number of significant commercial developments and has also seen the Company report the first profits in its history. The highlights include:

- Maiden profits
- Profit of £118,355 post tax
- Further improvement in margins to 41%
- Heating product sales began
- 3 Patents filed in EU for lighting and heating products
- Building Management Solutions software ready to launch

### **Financial Results**

Revenue for the six months ended 31 March 2015 was £1,516,635 (2014: £1,670,993), the comparative figures benefited from initial stocking orders by Megaman UK, the sole UK distributor. A better indication of the progress being made is the level of sales achieved by Megaman for the 4 months to April 2015; a run rate that is double that achieved for the whole of the calendar year 2014.

Gross margin increased to 41% compared with 29% in the first half and 39% in the second half of 2014. Administrative expenses were in line with prior period at £570,404 (2014: £575,261); £108,358 of R&D expenditure was capitalised in accordance with IAS 38 (2014: nil.)

For the first time the Company can report a pre tax profit amounting to £44,754 (2014: loss of £123,092). With the benefit of R&D tax credits this profit increases to give a post tax profit of £118,355, being 7.8% of sales (2014 loss £123,092).

Earnings per share were 0.94 pence (2014: loss of 1.12 pence).

The Company continues to successfully operate its zero working capital model. Due to order book timing at the half year, stocks were available at our China factory leading to increased debtor (£1,036,000) and creditor (£697,000) positions. The order book was circa \$0.515 million at 31 March 2015.

### **Overview**

We are at our heart a technology business and it is important for a technology business to innovate. In the period we made three patent applications; Smart

Windows, Boiler Energy Monitor and Super Smart TRV (Thermostatic Radiator Valve), as part of our strategy to keep developing innovative solutions for key markets.

We are now able to deliver lighting, power and heating control in one App to the domestic and commercial market. With our next generation API(Application Programming Interface) and Apps, LightwaveRF will become a more open platform for third party integration.

We have completed trials of LWRF products and software at a number of large and medium sized commercial sites. Customer feedback has been very positive and fully recognises that our web based, low cost, reliable and retrofittable Building Management System ("BMS") gives the tools to achieve significant reductions in energy costs from individual devices through to fully centralised control. We will shortly be launching this software which we believe will be a disruptive technology and are confident of making early commercial product sales.

Our position in the consumer market has strengthened with the rollout of heating products in over 1,200 new installations. Positive consumer feedback, including house builders Lagan Homes, has confirmed we have achieved the design objectives of ease of use and installation. We now have over 30,000 installations worldwide operating on our LightwaveRF platform, of which LightwaveRF direct installations are up by 33%. This rollout is well placed to continue gathering pace with the further development of our consumer channels announced recently.

## **Products**

We have a comprehensive range of over 100 lighting, power and heating products. These now include our electrical thermostatic switch, two-way window switches, as well as a home and away remote control device. We have achieved a major step forward with our two-way communication protocol, enabling status reporting and data capture.

We remain differentiated from our competition by the depth of our range and our ability to operate most building control devices from one App.

## **Apps & Software**

We have continued to develop and enhance our domestic Apps and will shortly launch a new version with more comprehensive scheduling, set up and functionality.

## **Cloud Services and Data Mining**

Significant investment has been made to our web services and data capture software. We can now monitor and record a range of parameters including temperature, room occupancy and window opening, from a single room to a whole site or multiple sites. This micro and macro monitoring of data and environmental control response will give much more power to the LightwaveRF cloud platform. We are working with the data science specialists from the Future Cities Catapult of Innovate UK, the sponsors of the Warwick University project, to further develop the use of the substantial amount of data available from the platform.

## **Licensing**

We are now actively pursuing a further broadening of the range by embedding LightwaveRF technology in partner products creating a "Connected by LightwaveRF" range of products. Not only does this accelerate the range of control available, but adds a potentially new income stream from licence arrangements. An example of this type of arrangement is the partnership with Herschel Far Infrared which we announced in February. We currently have significant interest from other parties regarding licensing arrangements both in the UK and EU which we are actively pursuing.

## **Outlook**

The management team believe strongly in investing in the Company's technology and product development. However, with the market acceptance of the heating products which substantially complete the LightwaveRF range, we are placing increased focus on developing brand awareness to further accelerate sales growth in the coming months.

Notwithstanding this planned further support to the brand, the Company already has a significant sales pipeline including utilities and commercial operators in the UK and a number of overseas markets. We fully expect these to result in much increased sales traction in the short and medium term.

**Mike Lord**  
**Chairman & CEO**  
**2015**

**Date: 22 May**

## Interim accounts for the six months ended 31 March 2015 (unaudited)

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 21 May 2015 and have been prepared on the basis of the accounting policies set out in note 1. The financial information covers the six months ended 31 March 2015.

### Statement of Comprehensive Income (unaudited)

For the Six Months Ended 31 March 2015	6 Months 31-Mar-15 £ (Unaudited)	6 Months 31-Mar-14 £ (Unaudited)	Year Ended 30-Sep-14 £ (Audited)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	<b>1,516,635</b>	<b>1,670,993</b>	<b>3,039,894</b>
Cost of Sales	(890,142)	(1,180,454)	(2,009,409)
<b>GROSS PROFIT</b>	<b>626,493</b>	<b>490,539</b>	<b>1,030,485</b>
Administrative expenses	(570,404)	(575,261)	(1,282,306)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>	<b>56,089</b>	<b>(84,722)</b>	<b>(251,821)</b>
Finance Income	-	-	-
Finance Expense	(11,335)	(38,370)	(47,573)
<b>PROFIT/(LOSS) FOR THE PERIOD BEFORE INCOME TAX</b>	<b>44,754</b>	<b>(123,092)</b>	<b>(299,394)</b>
Tax credit on profit on ordinary activities	73,601	-	154,546
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT</b>	<b>118,355</b>	<b>(123,092)</b>	<b>(144,848)</b>
Other Comprehensive Income	-	-	-
<b>PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT</b>	<b>118,355</b>	<b>(123,092)</b>	<b>(144,848)</b>
<b>EARNINGS/(LOSS) PER SHARE</b>			
Basic	0.94p	(1.12p)	(1.20p)
Diluted	0.92p	(1.12p)	(1.20p)

## Statement of Financial Position (unaudited)

		As at 31-Mar-15 £ (Unaudited)	As at 31-Mar-14 £ (Unaudited)	As at 30-Sep-14 £ (Audited)
	Note			
<b>ASSETS</b>				
Intangible assets		108,358		
Property, plant & equipment		54,375	6,027	62,312
<b>Current assets</b>				
Inventories		-	-	-
Trade and other receivables	2/5	1,036,338	538,988	344,789
Cash and cash equivalents	8	57,456	137,317	222,663
Corporate tax recoverable		-	-	154,546
		1,093,794	676,305	721,998
<b>TOTAL ASSETS</b>		<b>1,256,527</b>	<b>682,332</b>	<b>784,310</b>
<b>Equity</b>				
Issued share capital	7	629,774	547,774	605,060
Share premium account		2,991,610	2,496,645	2,824,909
Reverse acquisition reserve		(100,616)	(100,616)	(100,616)
Retained losses		(4,113,644)	(4,210,244)	(4,231,999)
<b>Total equity</b>		<b>(592,876)</b>	<b>(1,266,441)</b>	<b>(902,646)</b>
<b>Current liabilities</b>				
Trade & other payables		697,080	1,544,285	492,933
Loans & borrowings	6	630,220	404,488	574,008
Total current liabilities		1,327,300	1,948,773	1,066,941
<b>Non current liabilities</b>				
Loans & borrowings	6	522,103	-	620,015
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,256,527</b>	<b>682,332</b>	<b>784,310</b>

## Statement of Changes in Shareholders' Equity (unaudited)

	Issued Share capital £	Share Premium account £	Reverse Acquisition reserve £	Retained Earnings/ (Losses) £	Total Equity £
As at 31 March 2014	547,774	2,496,645	(100,616)	(4,210,244)	(1,266,441)
Loss for the period and total comprehensive income			-	(21,755)	(21,755)
Shares issued	57,286	343,714	-		401,000
Share issue costs		(15,450)	-		(15,450)
As at 1 October 2014	605,060	2,824,909	(100,616)	(4,231,999)	(902,646)
Profit for the period and total comprehensive income				118,355	118,355
Shares issued	24,714	173,000	-		197,714
Share issue costs		(6,299)	-		(6,299)
<b>As at 31 March 2015</b>	<b>629,774</b>	<b>2,991,610</b>	<b>(100,616)</b>	<b>(4,113,644)</b>	<b>(592,876)</b>

## Statement of Cash flows (Unaudited)

As at                      As at                      As at

		31-Mar-15	31-Mar-14	30-Sep-14
		£	£	£
	Note	(Unaudited)	(Unaudited)	(Audited)
<b>Cash flow from operating activities</b>				
Profit /(loss) after tax		118,355	(123,092)	(144,848)
<b>Adjusted for:</b>				
Depreciation		7,937	1,722	7,587
Impairment of trade debtors		-	20,857	-
Exchange (losses)		(15,741)	(30,004)	-
Finance expense	3	10,395	16,504	47,573
Decrease in inventories		-	395,478	395,478
(Increase)/decrease in trade and other receivables		(691,547)	(209,720)	5,335
Increase/(decrease) in trade and other payables		204,147	179,077	(104,217)
Decrease / (increase) in corporate tax recoverable		154,546	-	(154,546)
<b>Cash (absorbed)/generated by operations</b>		<b>(211,908)</b>	<b>250,822</b>	<b>52,362</b>
Finance costs		(10,395)	(16,504)	(47,573)
		<b>(222,303)</b>	<b>234,318</b>	<b>4,789</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment				(62,150)
Intangible assets		(108,358)	-	
		<b>(108,358)</b>	<b>-</b>	<b>(62,150)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares		191,414	-	385,550
Repayment of bank borrowings		(4,675)	(4,675)	(9,350)
Interest paid on borrowings		(7,255)		
Repayment of borrowings		(14,030)	-	(3,849)
		<b>165,454</b>	<b>(4,675)</b>	<b>372,351</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(165,207)</b>	<b>229,643</b>	<b>314,990</b>
<b>Cash and cash equivalents at start of period</b>		<b>222,663</b>	<b>(92,326)</b>	<b>(92,327)</b>
<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>57,456</b>	<b>137,317</b>	<b>222,663</b>

# Notes to the comprehensive financial statements

## 1. Accounting policies

### Basis of accounting

The directors have considered advice from the Companies auditors and believe that the company is now at a stage where it is appropriate to apply IAS 38.

Research and development expenses are expensed until the point that technological feasibility is reached, which for our software products, is generally shortly before the products are released to manufacturing. Once technological feasibility is reached, such costs are capitalized and amortized to cost of revenue over the estimated lives of the products.

Other than the introduction of IAS 38 there have been no other changes to policies applied and disclosed in the annual financial statements for the year ended 30 September 2014.

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 2015.

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 2014 does not constitute the full statutory accounts for that period, but is derived from those accounts.

The Annual Report and Financial Statements for 2014 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2014 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 and company's 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 2014 on pages 4 - 14. In addition, note 18 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.

Based on our current expectations on the continuing progress of product range development, extending our partner distribution in other parts of the world, and our ability to manage the short-term payments of the group the directors consider that the Group will have adequate funding resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



## 2. Impairments

	As at 31-Mar-15 £ (Unaudited)	As at 31-Mar-14 £ (Unaudited)	As at 30-Sep-14 £ (Audited)
Provision against trade receivables loan	-	20,857	-

## 3. Finance

	6 Months 31-Mar-15 £ (Unaudited)	6 Months 31-Mar-14 £ (Unaudited)	Year Ended 30-Sep-14 £ (Audited)
<b>Finance expenses</b>			
Bank loan interest	542	508	(3,306)
Convertible loan interest	6,917	5,206	(12,070)
Bank charges	2,936	10,790	(32,197)
	<b>10,395</b>	<b>16,504</b>	<b>(47,573)</b>

## 4. Earnings per share

From continuing operations

	As at 31-Mar-15 £ (Unaudited)	As at 31-Mar-14 £ (Unaudited)	As at 30-Sep-14 £ (Audited)
<b>Numerator</b>			
Profit / (loss) used for calculation of basic and diluted earnings per share	118,355	(123,092)	(144,848)
<b>The weighted average number of shares were:</b>			
<b>Denominator</b>			
Weighted average number of ordinary shares	12,595,480	10,995,480	12,101,194
Effect of outstanding options shares	237,536	-	-
	<b>12,833,016</b>	<b>10,995,480</b>	<b>12,101,194</b>
Basic earnings/ (loss) per share	0.94p	(1.12)p	(7.38)p
Diluted earnings/ (loss) per share	0.92p	(1.12)p	(7.38)p

## 5. Trade and other receivables

	As at 31-Mar-15 £ (Unaudited)	As at 31-Mar-14 £ (Unaudited)	As at 30-Sep-14 £ (Audited)
--	--	--	--------------------------------------

**Amounts falling due within one year:**

Trade receivables	804,952	414,151	298,494
Other receivables	11,671	20,561	8,163
Prepayments & accrued income	219,715	104,276	38,132
	<b>1,036,338</b>	<b>538,988</b>	<b>344,789</b>

All receivable balances are in sterling. In 2014 a provision of £20,857 was made against the trade receivable loan due to non-payment of the current outstanding balances due, (Note 2).

**6. Borrowings**

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

	As at 31-Mar-15 £ (Unaudited)	As at 31-Mar-14 £ (Unaudited)	As at 30-Sep-14 £ (Audited)
<b>Non-current</b>			
Deferred payment agreement	522,103	-	620,015
<b>Current</b>			
Convertible loan note	468,058	395,138	421,290
Bank loan	-	9,350	4,675
Deferred payment agreement	162,162	-	148,043
	<b>630,220</b>	<b>404,488</b>	<b>574,008</b>
Total loans and borrowings	<b>1,152,323</b>	<b>404,488</b>	<b>1,194,023</b>

Long term borrowings of £468,058 are secured five year loan notes and carry an interest rate of 3%. The balance of the Bank loan outstanding in 2014 carried interest at 9%.

The company has no other borrowing facilities.

**7. Share capital**

	As at 31-Mar-15 £ (Unaudited)	As at 31-Mar-14 £ (Unaudited)	As at 30-Sep-14 £ (Audited)
<b>Authorised Share Capital</b>			
1,000,000,000 Ordinary Shares of 0.1p each	1,000,000	1,000,000	1,000,000
<b>Post consolidation from 3 April 2014</b>			
20,000,000 Ordinary shares of 5p each	1,000,000	1,000,000	1,000,000
<b>Allotted, Issued and fully paid</b>			
Ordinary Share Capital brought forward	605,060	547,774	547,774
<b>Issue of ordinary shares</b>			
Issue for cash	24,714	-	57,286
	<b>629,774</b>	<b>547,774</b>	<b>605,060</b>

## 8. Cash & Cash Equivalents

	<b>As at 31-Mar-15 £ (Unaudited)</b>	<b>As at 31-Mar-14 £ (Unaudited)</b>	<b>As at 30-Sep-14 £ (Audited)</b>
Cash Available on demand	<b>57,456</b>	<b>137,317</b>	<b>222,663</b>
	<b>57,456</b>	<b>137,317</b>	<b>222,663</b>