Company number: 09024532

WINDAR PHOTONICS PLC

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2022

Contents

WINDAR PHOTONICS PLC

COMPANY INFORMATION

Directors	Johan Blach Petersen (Non-executive Chairman) Jørgen Korsgaard Jensen (Chief Executive Officer) Paul Joseph Hodges (Non-executive Director) Andy John Richardson (Non-executive Director) (appointed 19 December 2022)
Company Secretary	Edward Indran Ratnam FCA 23 Chetwynd Park Cannock Staffordshire WS12 0NZ
Registered Office	3 More London Riverside London SE1 2AQ
Registered Number	09024532
Auditor	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated Adviser and Broker	WH Ireland Limited (appointed 19 December 2022) 24 Martin Lane London EC4R 0DR Cenkos Securities plc (resigned 19 December 2022) 6.7.8 Tokenhouse Yard London EC2R 7AS
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

Despite a very positive underlying business development in respect of the Group's general product offerings, the year 2022 turned out to be a very challenging year once again, heavily impacted by the general COVID-19 pandemic. During parts of the first half of 2022, the Group's Shanghai based subsidiary handling substantial parts of sourcing and logistic tasks within the Group, was effectively locked down. This consequently had a severely negative impact on production and deliveries from our assembly facility in Denmark in 2022.

Despite being constrained by additional COVID-19 related impacts, in relation to specific electronic component shortages in the market, the Group achieved full year revenue of €1.9 million, an increase of 236% compared to 2021 (€0.6 million). Most of this revenue was earned in the second half. Furthermore, despite the general challenges and continued component shortages continuing during the second half of 2022, the Group moved towards an EBITDA breakeven level in the second half of 2022 (loss of €0.04 million), based on recognized revenues of €1.5 million in the period.

Gross Profit for the year amounted to €0.9 million, an increase of 112% compared to 2021 (€0.4 million), corresponding to a Gross Margin in 2022 of 51% compared to 81% in 2021. The 2022 Gross Margin was restored to historical levels, whereas the Gross Margin in 2021 was impacted by exceptional items. The underlying Gross Margin in 2022 was achieved despite the Group experiencing substantial cost increases, related to logistical and component costs. The change in the product mix compensated for these cost increases. Overall Costs of Goods Sold (COGS) for 2022 increased by approximately 5%, compared to COGS in 2021.This meant that the substantial cost savings, related to the introduction of our One Unite platform in 2021, were eliminated in 2022.

Despite the overall challenges in 2022, the year has also shown some very encouraging developments in relation to the fundamentals of the product offerings of the Group. The combined WindEye™ and WindTimizer products provide a unique "Plug and Play" turbine integration solution, focused on increasing electricity generation from existing installed wind turbines. These have become even more valuable, due to the generally increased price levels of energy during the year, and further by the increased focus on the need to move towards more renewable energy sources in general. Due to these developments, the Group's order backlog increased by the end of year to €4.3 million (2021: €2.6 million). The product mix continues to be favourable compared to the order backlog entering 2022.

Overall EBITDA loss for the year was reduced to €0.8 million in 2022 compared to a loss in 2021 of €1.1 million. The EBITDA loss in 2022 was primarily realised during the first half of 2022, whereas the Group progressed toward an EBITDA break-even position during the second half of 2022.

During 2022 the Group continued its strong development effort, both related to expanding current product offerings and new deployment of our general Lidar technology. In the short term, one of the most important developments was related to our WindTimizer products, which now also cover an analogue interface for turbine integrations. This expands the potential total market for our plug and play integration solution within the Retro-fit market segment. Our participation in the drone-based CO2 emissions project Khaosguard is progressing well and initial milestones such as preliminary in field CO2 measurements have successfully been demonstrated.

Financial Overview

Revenue during the year increased 236% to €1.9 million (2021: €0.6 million). Gross profit was up 112% (2021: (36%) to €0.9 million (2021: €0.4 million).

During the year, administrative expenses excluding depreciation amortisation and warrant cost increased to €1.76 million compared to €1.58 million in 2021, relating to development projects, following the increased revenues.

Net loss for the year before taxes and exceptional expenses, decreased to €1.2 million from €1.4 million in 2021, which included depreciation, amortisation, and warranty costs of €0.2 million (2021: €0.3 million) in aggregate.

The Group held cash balances at the end of the year of €1.4 million (2021: €0.04 million) and trade receivables at the end of the year amounted to €0.4 million (2021: €1.0 million). During the year the Company raised €2.4 million before expenses through the issue of share capital.

The Group has capitalised its continued cost of investment in technology during the year of €0.3 million in 2022 (2021: €0.7 million) before grants of €0.1 million (2021: €0.4 million).

Outlook

Entering 2023 the Group had a strong order backlog of €4.3 million scheduled for delivery in 2023. In 2023 the Group has received additional orders scheduled for delivery in 2023 and further additional significant orders are currently being negotiated. Based on these developments the Group expects to realise a substantial revenue growth in 2023 compared to 2022.

In 2023 the Group expects to see a reduction of the average COGS compared to costs in 2022 supporting an expected modest Gross Margin increase in 2023.

Entering 2023, the production capacity of the Group was fully booked by customer orders for deliveries in the first half of 2023. Currently, the Group is focused on increasing capacity by at least 100% to be implemented mid-year 2023 and planning for a further doubling of capacity when entering year 2024.

In particular, considering the very unexpected challenges the COVID-19 pandemic brought upon us in the past two years, I would like to take the opportunity to thank our employees, partners and management in Denmark, China and UK for their efforts and loyalty to the Group in 2022.

BY ORDER OF THE BOARD ON JUNE 12, 2023

Johan Blach Petersen
Chairman

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES OF THE GROUP

Windar Photonics is a technology Group that has developed and sells cost efficient and innovative Light Detection and Ranging sensors ('LiDAR') and associated products for use on electricity generating wind turbines. LiDAR wind sensors in general are designed to remotely measure wind speed and direction.

The Group's key products are the WindEYE™ and WindVISION™ sensors which measure the wind speed at different measuring points by scanning a laser beam ahead of the wind turbine. By measuring the wind speed a variety of wind information is derived such as wind direction, turbulence, wind shear, wind gust and wake detection. The products and various algorithms are designed for the general optimisation of wind turbines both in respect of increasing the Annual Energy Production and general load reduction options.

REVIEW OF THE BUSINESS

The Chairman's Statement on page 3 and 4 includes a general review of the Group's business for the year.

FUTURE DEVELOPMENTS IN THE BUSINESS

Independent Power Producers (IPPs) and Wind Park Operators are primarily interested in general optimisation of existing wind turbines thereby potentially increasing power output. One method of achieving this is by optimisation of the yaw alignment of the wind turbine, meaning that the wind turbine is better facing the wind. This can be obtained by fitting a LiDAR wind sensor such as the WindEYE™ sensor. Despite the slower than expected traction within the scope of the Vestas distribution agreement in previous years, the Board does expect to see future growth based on currently ongoing end-user projects.

Original Equipment Turbine Manufacturers (OEMs) are primarily focused on fully integrating LiDAR wind sensor information to address both yaw misalignment and more complex load reduction strategies. OEMs typically have longer design times for product integration compared to the shorter time normally taken to retrofit a sensor on an existing wind turbine.

The Group continues to work with both IPPs and OEMs with on-going trials in both of those key markets.

COVID-19 PANDEMIC

The Covid-19 pandemic had a continued material impact on the performance of the Group in 2022. The Company is focused on reducing the potential impacts of today's unknowns in relation to future potential COVID19 governmental decisions. However, uncertainties regarding these remain material to the company.

GROUP RESULTS AND DIVIDENDS

In the year ended 31 December 2022, Windar Photonics achieved revenue of €1.9 million (2021; €0.6 million) from sales of WindEYE™ and WindVISION™ sensors and related services which represent a revenue increase of 236% from 2021. The total gross profit for the year amounted to €0.9 million (2021; €0.4 million) representing an increase of 112% from the prior year.

The Group loss for the year before taxation and exceptional expenses decreased to €1.2 million (2021: loss €1.4 million).

No dividends are payable for the year under review (2021: No dividends payable).

PRINCIPAL RISKS AND UNCERTAINTIES

Sales cycle and product acceptance
As with many large projects the successful addition of a client and the successful installation of the Group's product for a potential client can entail a long sales cycle, which often also involves protracted negotiations and meeting detailed technical specifications and requirements, the length of which may adversely affect the Group's financial situation and cash flow and increase project costs. Furthermore, there can be no guarantee that the

commencement of such negotiations will result in successful addition of a client and, as such, significant time may be spent, and expense may be incurred without return for the Group.

As the Group increases its presence in the market and is undertaking projects with IPP, Wind Farm Operators and OEMs the sales cycle risk is reduced, as there are more potential clients, and the non-conversion of any potential client is less of a risk to the business. As the Group continues to grow this risk will become a normal trading risk.

Products and services failure

Quality is critical to the Group's business solution. While the Group's technology is complete and extensive security and scalability testing has been carried out, a major system defect, due to design mistake or technology failure could impact upon current and future customer demand. This may lead to adverse press and market commentary damaging the reputation of the Group, and require rectification costs and/or claims against the Group. Further, all sales made by the Group are made with a two-year warranty with the first sale having been made in the fourth quarter of 2013. No major claims have been made under such warranties and the Group has worked with its customers to enhance the installations on site to date but there can be no assurance that the Group will not incur significant liabilities in satisfying warranty claims in the future.

The Group has not had to initiate a product recall. However, it may be exposed to product recalls if its products are faulty or if regulations are breached. If the Group has to recall products, it may incur significant and unexpected costs and damage to its reputation. The Group has implemented quality control procedures to mitigate this risk.

Reliance on suppliers

The substantial part of subcomponents that are assembled into the WindEYE™ and WindVision™ sensors are manufactured and supplied by third parties. It may be difficult to replace any of these subcomponents if there was an interruption in the supply, consistency, quality or timely delivery or an increase in costs above the forecast levels, which could adversely affect the Group's operating results or harm its reputation. Any such interruption where the Group is unable to locate and engage an alternative within a reasonable time and at an acceptable cost may result in the Group being unable to offer its services or products or a material interruption in the provisions of its services or products, which in turn may have a material adverse effect on the Group's business and prospects.

Other commercial factors

The Group is still in an early business cycle stage and now entering the next higher growth cycle means that the Group will be exposed to a higher concentration of single customers and/or contracts. In 2022 this was illustrated by the fact that 2 customers accounted for 64% of the annual Group revenue (2021: 3 customers, 73%). The Group is aware and is paying attention to the potential commercial risk this development brings. One of the ways to mitigate this risk going forward is to continue to focus strongly on both ongoing, but just as important, new OEM projects with the view over time to developing a broader customer base.

Being in an early business cycle the Group has been dependent on financing the business through placing of shares in the market primarily to finance annual losses generated in the Group. The Group is aware of the risks associated with being dependent on such capital sources. The focus in the Group to mitigate this risk is to arrive at a position where potential future share placings primarily will be needed for financing of working capital and not financing of annual losses. Several activities and programmes have been initiated by the Group to support this target of which one was the operating expense realignment program with the aim to reduce the revenue break-even level. Other measures have been to continue to optimise our core product costs enabling the Group to get larger contract wins in 2022 whilst maintaining satisfactory profit margins.

Reliance on key personnel

The Company's future success is substantially dependent on the Group's ability to attract, train, motivate and retain key management, commercial and technical personnel with the necessary skills and experience. There is no guarantee that the Group will be successful in attracting and/or retaining key personnel. The loss of any of these key personnel for whatever reason may have a material adverse effect on the future of the Company's business.

Confidentiality

In order to protect its proprietary technology and processes, the Group relies on confidentiality agreements with employees, licensees, independent contractors and other third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Group's proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Group's competitive business position.

SECTION 172 OF THE COMPANIES ACT 2006

The Directors are well aware of their duty under Section.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

• the likely consequences of any decision in the long term;
• the interests of the Company's employees;
• the need to foster the Company's business relationships with suppliers, customers and others;
• the impact of the Company's operations on the community and the environment;
• the desirability of the Company maintaining a reputation for high standards of business conduct; and
• the need to act fairly between members of the Company.

The Board recognises that the long-term success of the Group requires positive interaction with its stakeholders. Positive engagement with stakeholders will enable our stakeholders to better understand the activities, needs and challenges of the business and enable the Board to better understand and address relevant stakeholder views which will assist the Board in its decision making and to discharge its duties under Section 172 of the Companies Act 2006. The comprehensive interaction with stakeholder incorporates among others regulatory announcements as well as direct communication between Shareholders and the Board.

In Windar Photonics we set an honour in building long-term corporate relationships, with both suppliers, customers and development partnerships, which has been an essential part, since the incorporation of the Group and is still today a fundamental part of our progress.

One of the biggest assets in Windar Photonics PLC is our team members. Their hard work and personal commitment are highly valued and is the cornerstone for the continued positive future journey for the Group. We will continue to ensure the well-being, embrace~~d~~ their ambitions and empower them, as an essential part of our Group.

KEY PERFORMANCE INDICATORS

The Group considers the revenue, the EBITDA development, cash balances, levels of debt, and employee numbers as the current key performance indicators of the business as it has been in a start-up phase.

Revenue for the year was €1.9 million (2021: €0.6 million) representing an increase of 236% and Gross Profit showed an increase of 112%. The recognised revenue level was substantially below initial targets set for 2022 due to circumstances related to the COVID-19 pandemic detailed in the Chairmans Statement.

EBITDA loss, representing the loss from operations and adding back the depreciation and amortisation charges of €0.2 million (2021: €0.3 million), amounted to €0.8 million (2021: €1.1 million).

At 31 December 2022 the Group had cash balances of €1.4 million (2021: €0.04 million).

Trade receivables at the end of the year decreased to €0.4 million (2021: €1.0 million).

The Group's loans at 31 December 2022 amount to €1.85 million (2021: €1.74 million) of which €0.16 million (2021: €0.37 million) is classified as current.

Employee numbers at 31 December 2022 were 23 (2021: 25).

BY ORDER OF THE BOARD ON JUNE 12, 2023

Jorgen Korsgaard Jensen

Director

WINDAR PHOTONICS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the Financial Statements for the year ended 31 December 2022.

FUTURE DEVELOPMENTS

The future developments for the Group are discussed in the Chairman's Statement and the Strategic Report.

GROUP RESULTS AND DIVIDENDS

The Group results and dividends are shown in the Strategic Report.

DIRECTORS

The Directors of the Company during the year were:

Jørgen Korsgaard Jensen
Johan Blach Petersen
Paul Joseph Hodges
Andy John Richardson (appointed 19 December 2022)

DIRECTORS' INTERESTS

	As at 31 December 2022			As at 12 June 2023		
	Ordinary Shares	Per cent	Warrants	Ordinary Shares	Per cent	Warrants
Jørgen Korsgaard Jensen (held by Pasinika Limited. see below)	5,649,864	8.26%	-	5,649,864	8.26%	-
Johan Petersen (held by J Blach Petersen BD A/S see below)	2,382,841	3.49%	-	2,382,841	3.49%	-
Paul Joseph Hodges	1,086,818	1.59%	-	1,086,818	1.59%	-
Andrew John Richardson	-	-	-	-	-	-

SIGNIFICANT SHAREHOLDERS

Shareholders who have notified the company of shareholdings in excess of 3% as at 31 December 2022 and 12 June 2023 are as follows:

	As at 31 December 2022		As at 12 June 2023	
	Number of ordinary shares	Percentage	Number of ordinary shares	Percentage
Pasinika Limited	5,649,864	8.26	5,649,864	8.26
M+ Invest ApS	4,033,973	5.90	4,033,973	5.90
J Blach Petersen BD A/S	2,382,841	3.49	2,382,841	3.49
Danmarks Tekniske Universitet	2,352,990	3.44	2,352,990	3.44
Milton Holding Horsens A/S	2,119,400	3.10	2,119,400	3.10

DIRECTORS' BIOGRAPHIES

Johan Blach Petersen (Non-Executive Chairman), aged 71

Johan Blach Petersen is an experienced business development consultant and has provided such services through J. Blach Petersen Business Development A/S since 1987. He serves as Chairman in a number of companies including M2 Group A/S, M2, M2 Animation Studio Ltd, Bangkok, Bila Group A/S, JMM Group A/S, Teknikgruppen A/S, Tuco Marine Group A/S, Lindcon Optical Group A/S Østergaard Møbelindustri A/S, Kinnan A/S, LR Marine A/S, LYS Technologies Ltd. London and as member of the board of CK Teknik A/S, OPDI Technologies A/S, , and. Prior to forming his own business in 1981 he was a management consultant as well as serving as the Trade Commissioner for Denmark in Houston, Texas. Johan was educated at the Aarhus Business School, holding two business degrees: HA and HD.

Jørgen Korsgaard Jensen (Chief Executive Officer and Founder), aged 60

Jørgen Korsgaard Jensen is an expert in optical technology solutions and has been involved in Research & Development projects in the field of optical technology in collaboration with Risø DTU for fifteen years. Prior to that he held leading positions in international companies with responsibilities for strategy, finance, purchasing and logistics. He is the chief executive and founder of OPDI Technologies A/S, which is a technology incubator company focused on development of opto/electronic sensors primarily for consumer electronic products.

Further, he is chief executive of the WaveTouch Group Limited, which develops and markets optical touch screen technologies.

The businesses of Windar Photonics and WaveTouch Group Limited were both initially created by, and are derived from businesses within, OPDI Technologies A/S. While he is currently employed by the Group in an executive position, the Company intends to appoint a new chief executive officer to gradually take over Jørgen Korsgaard Jensen's executive duties and the additional operations of the Group as it expands its activities. It is intended that Jørgen Korsgaard Jensen's involvement with the Group will reduce and that, following appointment and integration of a new chief executive officer, he will step down to a non-executive role.

Prior to this he was the chief executive and founder of Kanitech International A/S, chief financial officer of Gram A/S, Glasuld A/S (Saint Gobain) and Farre Food A/S. He also has a Bachelor's degree in Sales and Marketing from University of Southern Denmark and a Bachelor's degree in Accountancy and Finance from University of Southern Denmark.

Paul Joseph Hodges, aged 63

Paul Joseph Hodges has had a career in the City of London, spanning 40 years, as an investment analyst, stockbroker and corporate financier. During this period, Paul has held prominent roles at S G Warburg, James Capel, Schroder Securities, Collins Stewart and Cenkos plc. Paul was a founding partner of Cenkos, a main board director and a central figure in the firm's landmark deals. He now acts as an independent consultant. Paul has a B.Sc(Economics) degree in Econometrics from the London School of Economics and a M.Sc degree in Management Science from Imperial College, London.

Andrew John Richardson, aged 58

Andy is a non-executive chairman, director and board advisor who helps businesses to achieve success. Andy has a wealth of expertise across a range of organisations at CEO, Chair and non-executive levels, including having been Chairman of Rubicon Partners Industries, CEO of Arc Specialist Engineering Limited and CEO of Metalrax Group Plc. He has a strong track record in business transformation, scale-up and international development in quoted, private equity and family office ownership structures. He has a demonstrated history of success internationally in the manufacturing sector including Automotive, FMCG, Medical Devices, Aerospace, Off-Highway, Engines, Consumer Products, Safety Products, Building Products. Andy was educated at Cambridge University holding two degrees, M.A. and M.Eng. Andy loves helping people to succeed. Andrew John Richardson was appointed on 19 December 2022.

DIRECTORS’ REMUNERATION

The value of all elements of remuneration received by each Director in the year was as follows:

	Wages and salaries	Fees	Fair value of warrant costs	Total
	€	€	€	€
Year ended 31 December 2022				
Executive Directors				
Jørgen Korsgaard Jensen	**-**	-	-	-
Non-executive Directors				
Johan Blach Petersen	**-**	**13,500**	-	13,500
Paul Joseph Hodges	**-**	**28,350**	-	28,350
Andrew John Richardson	**-**	**-**	-	-
Total	**-**	**41,850**	**-**	**41,850**
Year ended 31 December 2021				
Executive Directors				
Jørgen Korsgaard Jensen	-	-	-	-
Non-executive Directors				
Johan Blach Petersen	-	13,450	-	13,450
Paul Joseph Hodges	-	-	-	-
Andrew Johan Richardson	-	-	-	-
Total	**-**	**13,450**	**-**	**13,450**

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has put in place qualifying third party indemnity provisions for all of the directors of Windar Photonics Plc.

FINANCIAL INSTRUMENTS

Currency
The Group reports its revenues and costs in €, whilst some of these revenues and costs may arise in currencies other than this including, inter alia US Dollars, Pounds Sterling, Chinese Yuan and Danish Krone. As a result, the Group is exposed to risks associated with fluctuations in foreign currency exchange rates, which may adversely affect the Group’s reported profits or make its overseas contracts relatively less valuable. In particular, customers are invoiced in their local currency rate, which may in the future give rise to material currency exposure risks. The Group does not currently engage in any currency hedging although as the business expands and foreign currency exposure increases the Group will consider options to mitigate the exposure to foreign currency movements.

Liquidity risk
Liquidity risk arises from the Group’s management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group finances its operations through a mix of equity and borrowings. The Group’s objective is to provide funding for future growth and achieve a balance between continuity and flexibility through its bank facilities and future intergroup loans.

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year these projections indicated that the Group is expected to have sufficient liquid resources for a period of at least twelve months from the date of signing of these financial statements, to meet its obligations. Accordingly, the Board has adopted the going concern basis. See note 3 for further details.

CREDIT RISK

The Group regularly reviews and assesses the trade receivables for impairment and considers the market risk in respect of the trade receivables. As the Group trades with a concentrated number of customers the Group has reviewed trade receivables on an individual basis. The Group has made a provision against overdue trade receivables of € Nil (2021: €107,836). The Group considers the followings events as indicators of an impairment:

- default of payments of the counterparty;
- financial difficulties of the counterparty;
- it's becoming probable that the counterparty enters bankruptcy or other financial reorganisation;
- granting to the counterparty a concession that the Group will not otherwise consider.

EMPLOYMENT POLICIES

The Group is committed to employee involvement in the business and there are consultative procedures available for management and other employees to discuss matters of mutual interest.

The Group has a policy of non-discrimination in respect of sex, colour, religion, race, nationality or ethnic origin and the recruitment of disabled persons is only subject to any overriding consideration of access and safety.

TREASURY POLICY

The Group has adopted formal treasury policies to control its financial instruments. It is a Group Treasury policy not to undertake transactions of a speculative nature. Group cash flows are managed centrally and surplus cash is invested in short-term financial instruments.

Compliance with these policies is monitored by the Board.

RESEARCH AND DEVELOPMENT

The Group continues to undertake R&D into LiDAR technology. During the year the Group spent €994,713 (2021: €1,131,424) on R&D of which €297,540 (2021: €652,264) has been capitalised as an intangible asset as shown in note 17 to the financial statements.

The Group has received public Research and Development Grants of €121,019 (2021: €408,354) in respect of the capitalised research and development. At the end of the year, 2 development projects are ongoing which are supported by public Research and Development Grants and outstanding grants which can be claimed in the coming five years amount to €209,754 (2021: €402,893).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Director's Report, the Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and company financial statements in accordance UK-adopted international accounting standards ("IFRS"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether the Group and Parent Company financial statements have been prepared in accordance with IFRSs as adopted by the United Kingdom, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

AUDIT INFORMATION

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, there is no relevant audit information of which the Group's auditor is unaware.

Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITORS

Jeffreys Henry LLP has indicated that it will not seek re-appointment as the Company's Auditor at the Annual General Meeting as, following a business reorganisation, the firm will provide audit services to clients from another company in the Group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's Auditor will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD ON JUNE 12, 2023

Jorgen Korsgaard Jensen

Director

The Group has elected to follow the QCA guidelines in respect of Corporate Governance, which is also published on the Company's website.

In common with other organisations of a similar size, the Executive Director is heavily involved in the day-to-day running of the business. The Board of Directors meets regularly and is responsible for formulating strategy, and for the trading subsidiaries, monitoring financial performance and approving major items of capital expenditure. All Directors have access to the advice and services of the Company Secretary.

BOARD OF DIRECTORS

The Board includes three Non-Executive Directors. The Board has scheduled monthly meetings each year and others as required. The Board retains full responsibility for the direction and control of the Group. No strategic powers have been delegated and for these reasons the Board did not have, during the year, a formal schedule of matters specifically reserved to it.

There is currently no formal agreed procedure for Directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense.

NON-EXECUTIVE DIRECTORS

The appointment of Non-Executive Directors is a matter for the Board as a whole based on recommendations from the Nominations Committee. Although recommended by the Code, there is currently no formal selection process. The Non-Executive Directors have contracts for services for an unspecified period. Non-Executive Directors are subject to re-election every three years.

Terms and conditions of appointment of the Non-Executive Directors are available for inspection.

EXECUTIVE DIRECTORS

Directors are appointed by the Board of Directors but stand for election by the shareholders at the Annual General Meeting. The Executive Directors are subject to re-election every three years.

The Company holds board meetings regularly throughout the year. Eight scheduled board meetings were held during the year, as well as two audit committee meeting, one remuneration committee meeting and one nomination committee meeting. Attendance by board members is shown below. Andrew Richardson was appointed 19th December 2022 and has attended all meetings in the current financial year.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	8	2	1	1
Executive board members				
Jørgen Korsgaard Jensen	8	N/A	N/A	N/A
Non-executive board members				
Johan Blach Petersen	8	2	1	1
Paul Joseph Hodges	8	2	1	1
Andrew John Richardson	0	0	0	0

In the event that Board approval is required between Board meetings, Board members are emailed the details, including supporting information in order to make a decision. The decision of each Board member is communicated and recorded at the following Board meeting. Board members are aware of the time commitment required when joining the Board.

BOARD COMMITTEES

Audit Committee

During the year to 31 December 2022, the Audit Committee comprised Johan Blach Petersen, Paul Joseph Hodges and Andrew John Richardson and is chaired by Johan Blach Petersen. The Audit Committee meets at least twice a year and is responsible for reviewing the annual and half-yearly financial statements, the system of internal controls and risk management, and the terms of appointment and remuneration of the auditor. It is also the forum through which the auditor reports to the Board. The Audit Committee is also responsible for reviewing the objectivity of the external auditor and the terms under which the external auditor is appointed to perform non-audit services.

The Group's auditor also attends the Audit Committee at its request and reports on its work procedures, the quality and effectiveness of the Group's accounting records and its findings in relation to the Group's statutory audit. The Audit Committee will meet with the auditor at least once a year.

During the year the committee worked with the Group auditors, on the findings of the 2022 audit as well as reviewing the company's full year results on behalf of the Board. It considered significant accounting policies, ensured compliance with accounting standards and considered reports from the external auditor on accounting topics of a judgemental nature requiring attention. The Committee, where necessary will have had separate discussions with the auditor without management being present on the adequacy of controls and any judgemental areas, as well as feedback on the audit.

Nomination Committee

The Nomination Committee comprises Johan Blach Petersen, Andy John Richardson and Paul Joseph Hodges and is chaired by Johan Blach Petersen. It meets at least once a year and otherwise as required. The Nomination Committee considers the composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board.

Remuneration Committee

The Remuneration Committee comprises Johan Blach Petersen, Andy John Richardson and Paul Joseph Hodges and is chaired by Johan Blach Petersen. It meets at least once a year and is responsible for reviewing the scale and structure of the executive directors' remuneration and the terms of their service or employment contracts, including any share options granted and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors are set by the entire Board.

The remuneration committee continued to accept that as an early-stage business the Executive Director should receive no remuneration.

The Non-Executive Directors were awarded remuneration for their services during the year.

During the year a total of 10,833 previously granted share options lapsed and no new share options were granted during the year.

PERFORMANCE EVALUATION

There is currently no formal performance evaluation of the board, its committees, and its individual directors. A modus operandi for the evaluation of the board is currently under consideration, but not implemented at the current stage of the Group's development, as the Group is still a fairly young and small business unit.

COMMUNICATION WITH SHAREHOLDERS

The Directors are available to shareholders at any time to discuss strategy and governance matters.

In addition, all Group announcements are published on the Group's website, together with financial results.

All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all Directors are available to take questions.

AUDIT AND INTERNAL CONTROL

The primary role of the Audit Committee is to keep under review the Group's financial systems and controls and its financial reporting procedures. In fulfilling this role, the Committee receives and reviews work carried out by the external auditors and their findings.

The Board has overall responsibility for operating and monitoring the system of internal control within the Group and for monitoring its effectiveness. The system includes an on-going process for identifying, evaluating and managing significant business risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the directors with reasonable assurance that any material problems are identified on a timely basis and dealt with appropriately.

Guidance to Directors of UK Companies on internal control procedures and good practice on risk management is provided by the Financial Reporting Council.

The Audit Committee reviews the effectiveness of the internal controls on an annual basis on behalf of the Board and considers that they comply throughout the year ended 31 December 2022 with those provisions of the Code which they consider to be practicable and appropriate for a relatively small public company.

The key elements of the system, which are designed to meet the specific needs and business risks of the Group, include:

- clearly defined organisation structures with segregation of duties wherever practicable;
- agreement of Group short term financial objectives and business plans;
- quarterly review by the Board of Group management accounts and monitoring of results against budgets;
- Board control over treasury, taxation, legal, insurance and personnel issues;
- Board control over appraisal, review and authorisation of capital expenditure.

In common with organisations of similar size the Executive Director is heavily involved in the day to day running of the business. The directors believe that although the Group's controls may be slightly less formal than those of larger groups, the close involvement of the Executive Directors more than compensates for this.

The Board believes that it is not currently appropriate for the Group to maintain an internal audit function because of the small size of the Group.

The Audit Committee considers the independence and objectivity of the external auditor on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 9 to the financial statements. The non-audit fees are considered by the Committee not to affect the independence or objectivity of the auditor. The Audit Committee monitors such costs in the context of the audit fee for the year, ensuring that the value of non-audit services does not increase to a level where it could affect the auditor's objectivity and independence. The Audit Committee also received an annual confirmation of independence from the auditor.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further expansive description can be found in Note 3.

Windar Photonics Plc – QCA Code

QCA Code Principle	What we do and why
1. Establish a strategy and business model which promote long- term value for shareholders *The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.*	Windar Photonics' primary vision is to be, and remain, the leading global supplier of nacelle LiDAR equipment for both the wind turbine OEM and retrofit markets. Windar's core strategy for achieving the vision is focused on the following core components: • **Competitiveness** • **Innovative technology** • **Cost-effective operation of the company** • **Power enhancement and cost reduction for the end user.** The OEM market is serviced directly by Windar Photonics, whereas the retrofit market is serviced through an external global dealership that provides Windar Photonics products to local IPPs and wind farm operators. The company's strategy and key challenges are detailed on pp. 4-5 and pp. 15-19 of the *Report of the Directors and Consolidated Financial Statements (*For the year ended 31 December 2022).
2. Seek to understand and meet shareholder needs and expectations *Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.* *The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.*	The Board is committed to clearly navigating the company towards substantial growth and to ensure that the shareholder's expectations are met in this regard. Windar Photonics encourages two-way communication with both its institutional and private investors. Windar Photonics endeavours to respond swiftly to all queries received from its investors. The company's CEO is regularly in contact with the Group's institutional and retail shareholders and ensures that their views and concerns are communicated clearly to the Board. The Company also seeks to manage shareholder expectations through its regulatory disclosures. The Board recognises the AGM as an important opportunity to meet private shareholders, and the Directors are available to listen to the views expressed by the company's shareholders in an informal context immediately following the AGM. The AGM invariably includes a presentation by the Managing Director and others on developments which have occurred since the Annual Report went to press. Where voting decisions are not in line with the company's expectations, the Board will engage with those shareholders to understand and address any issues. The key point of contact for all shareholders is Chief Executive Officer, Jørgen Korsgaard Jensen. Should shareholders wish to discuss any matters with him they will always be available on jk@windarphotonics.com
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success *Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers,*	Windar Photonics is committed to sustainability and progress in all aspects of our business – for the environment, customers, suppliers and the communities we operate in. This is evidenced and underpinned by our vision and values: 1. Customers - Grow profitable sales 2. Quality – Operational excellence 3. Environment – Community

QCA Code Principle	What we do and why
customers, regulators and others). *The board needs to identify the company's stakeholders and understand their needs, interests and expectations.* *Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.* *Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.*	4. Innovation - Excellent product design 5. Team Work – Engage our people Sustainability is essentially the foundation of Windar Photonics, as the company's overall business is to provide the market a commercially viable mean of enhancing the production and effectiveness of renewable wind energy assets, which in turn contributes to increasing the economic viability and sustainability of the renewable energy sector. Windar Photonics is, via its global dealership, servicing several countries in the APAC region with newly developed renewable energy sectors, where Windar Photonics' products can contribute to increase the competitiveness of the emerging wind energy sector. Windar Photonics is a SME based in the United Kingdom and Denmark, and the company conforms to the local laws and standards for social responsibilities in relation to the company's employees. Windar Photonics encourages an open dialogue with its employees, and conducts employee opinion surveys, and individual employee consultations, to get employees' feedback on all aspects of employment with Windar Photonics. Furthermore, employee representatives meet in forums to discuss business related issues. Windar Photonics encourages feedback from our customers through trade account managers and direct engagement with individual customers via customer service teams and social media communication, such as LinkedIn.
4. Embed effective risk management, considering both opportunities and threats, throughout the organization *The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.* *Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).*	A detailed analysis of the risks that is facing the company, and the measures taken to minimise the identified risks, are detailed on pp. 4-11 of the *Strategic Report and Report of the Directors (*for the year ended 31 December 2022), along with an assessment of any changes to the potential risks during the previous reporting period. The Company formally reviews and documents the principal risks to the business at least annually. Likewise, the executive directors have agreed to act with risk- prevention in mind during the daily operation of the company. The board is responsible for evaluating potential risks and meets regularly to identify and review risks in relation to the ongoing trading, and the company's budgets and forecasts. Likewise, the Board considers risk to the business at every board meeting, and both current and future potential risks are registered and assessed during each meeting.
5. Maintain the board as a well-functioning, balanced team led by the chair *The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements.* *Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.*	The Board consists of Directors with a varied set of skills and substantial experience within their respective fields, which complements each other well in relation to directing the company and making informed decisions for encouraging the growth of the company. The Company is controlled by the Board of Directors. Johan Blach Petersen, the Non- executive Chairman, Andy John Richardson, Non-executive Director and Paul Joseph Hodges, Non-executive Director is responsible for the running of the Board, and Jørgen Korsgaard, the company's Chief Executive Officer, has the executive responsibility for running the company's business and implementing the company's strategy. The Board is comprised of one Executive Director and three Non-

<table>
<tr><th>QCA Code Principle</th><th>What we do and why</th></tr>
<tr><td>The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive directors. Independence is a board judgement.

The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfill their roles.</td><td>Executive Directors. The Board considers that all Non- executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service:

• Johan Blach Petersen (Non-Executive Chairman)
• Jørgen Korsgaard Jensen (Chief Executive Officer and Founder)
• Paul Joseph Hodges (Non-Executive Director)
• Andrew John Richardson (Non-Executive Director) (appointed 19 December 2022)

Detailed profiles for the Directors on the Board are available on p. 9 of the Report of the Directors and Consolidated Financial Statements (for the year ended 31 December 2022)

All Directors receive regular and timely information concerning the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings are circulated to the Company's Board of Directors.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration and Nomination Committee. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Company's website and can be accessed on the "Corporate governance" page of the website.

The Board meets at least six times per annum. The Audit Committee will meet at least twice a year, The Nomination Committee will meet at least once a year and otherwise as required and finally the Remuneration Committee meets at least once a year.</td></tr>
<tr><td>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.

The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.

As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</td><td>The Nomination Committee of the Board oversees the process and makes recommendations to the Board regarding all new Board appointments. Where new appointments for the Board are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning as part of their responsibility to ensure the consistency of the Boards activities.

The current board is comprised of directors with expertise within their respective fields, thus providing the company the benefits of a broad spectrum of knowledge and experience:

Johan Blach Petersen (Non- Executive Chairman) Extensive experience with start-up companies and business development.
Jørgen Korsgaard Jensen (Chief Executive Officer and Founder) Highly skilled innovator with in an in- depth understanding of international business and developing new technological solutions for the market.
Paul Joseph Hodges (Non-Executive Director) Comprehensive knowledge about corporate finance and investments.
Andy John Richardson (Non-Executive Director)</td></tr>
</table>

QCA Code Principle	What we do and why
	(appointed 19 December 2022) Strong track record in business transformation, scale-up and international development. Detailed profiles for the Directors on the Board are available on p. 9 of the *Report of the Directors and Consolidated Financial Statements (*for the year ended 31 December 2022).
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement *The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.* *The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.* *It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.*	A modus operandi for the evaluation of the board is currently under consideration, but not implemented at the current stage of the company's development, as the company is still a fairly young and small business unit. All directors are subject to re-election by the shareholders by rotation. The company has not adopted a policy on succession planning. The Non-executive Directors are, however, required to give notice under their employment contracts if they wish to leave the company and the Executive Directors are required to give nine months' notice. Whilst the Company has no formal succession plan, the Board continues to think long term and will appoint senior roles where required. The Board are confident that the Company's middle management have the strength to ensure the Company's business is not adversely impacted in the period between an Executive Director leaving and a replacement being recruited. The Nomination Committee is required to recommend and review nominees as new directors to the Board where there are vacancies or where it is felt that additional directors should be appointed. For new appointments, the search for candidates is conducted and appointments made on merit against objective criteria and with due regard for the benefits of diversity on the board. Any senior management appointments are also required to be approved by the Nomination Committee.
8. Promote a corporate culture that is based on ethical values and behaviours *The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.* *The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.* *The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the*	Windar Photonics is a fairly small and young company, and the corporate ethical values have not yet been formally described. A description of the ethical values that underpin the company will be formulated and made public during 2022. Nonetheless, the company is operated on a sound foundation of ethical principles: • A high degree of transparency and non-hierarchical communication between the various positions in the company • Entrepreneurial spirit and a high degree of employee influence • A diverse work-place with a wide representation of different cultures, which is considered a boon for the company. Furthermore, the company has provided training and information concerning anti- bribery and work-place safety to its employees. The company is also committed to providing a safe and secure environment for its employees, with its policies and procedures enshrined in its health and safety guidance to employees.

QCA Code Principle	What we do and why
company. *The corporate culture should be recognizable throughout the disclosures in the annual report, website and any other statements issued by the company.*	
9. Maintain governance structures and processes that are fit for purpose and support good decision- making by the board *The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:* • *size and complexity; and* • *capacity, appetite and tolerance for risk.* *The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.*	The company's governance structure is described in detail in the *Report of the Directors and Consolidated Financial Statements (*for the year ended 31 December 2022) in the section *Corporate Governance Statement* on pp. 13-20. It is also included under the biographies of the directors and committees of the Board on our website. A description of the matters of the board, titled "25 Board reserved matters", is made public on the website, and is available on the page "*Corporate governance".*
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. *A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.* *In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base.* *This will assist:* *the communication of shareholders' views to the board; and the shareholders' understanding of the unique circumstances and constraints faced by the company.* *It should be clear where these communication practices are described (annual report or website).*	Windar Photonics encourages two- way communication with both its institutional and private investors. Likewise, Windar Photonics endeavors to respond swiftly to all queries received from its investors. The company's CEO is regularly in contact with the Group's main shareholders and ensures that their views and concerns are communicated clearly to the Board. The Board recognises the AGM as an important opportunity to meet private shareholders, and the Directors are available to listen to the views expressed by the company's shareholders in an informal context immediately following the AGM. The company has not historically announced the detailed results of shareholder voting to the market. It intends to do so from now on.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Independent auditor's report to the members of Windar Photonics Plc

OPINION

We have audited the financial statements of Windar Photonics Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards (IFRSs) and as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the Group and Parent Company financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group and Parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by United Kingdom;
- the Group and Parent Company's financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We draw your attention to the primary statements within these financial statements, which indicates that the group incurred a loss of €1.1m, had net assets of €0.3m and had net cash outflows from operating activities of €0.4m for the year ended 31 December 2022.

These events or conditions, along with the matters as set forth in note 3 indicate the existence of a material uncertainty which may cast significant doubt over the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

During the period, difficulty in obtaining supplies has had an impact on the group's ability to deliver on contracts or the Group has experienced delays in the start of assignments, which has had an impact on cashflows and could still impact future cashflows. It remains difficult to assess reliably whether there will be any further material disruption in the future which could adversely impact the group's forecast.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- detailed review of management's forecasts and cash flow analysis, and their going concern assessment;
- assessment of the reliability of forecasts to date by agreeing historical actuals to budgets, and challenging the current forecasts;
- tested the clerical accuracy of management's forecast;
- challenged management's forecast assumptions, and inputs including reviewing the forecast revenue and corroborated the assumptions over the conversion of new contracts and the levels of costs that are forecast.
- we reviewed the latest management accounts to gauge the financial position;
- we performed sensitivity analysis on the cash flow forecasts prepared by the directors;
- considered the Group's historic ability to raise funds; and
- considered the appropriateness of the Company's disclosures in relation to going concern in the financial statements

As detailed above, we note that there are inherent risks over the group's forecasts and the potential timing of the receipts of monies due from contracted arrangements.

We further highlight that whilst the Directors are satisfied that they will recover these monies due in a timely manner that we as auditors could not obtain sufficient comfort that a sufficient amount of income will materialise within the timing expected within the group's cashflow forecasts due to the inherent uncertainty in the recent pattern of delays. We note that the Group has historically been loss making given the level of research and development activity. As such, in auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

KEY AUDIT MATTERS

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

- The use of the going concern assumption
- Carrying value of intangible assets
- Carrying value of investment in subsidiaries and inter-company receivable (parent company only)

As there is a material uncertainty relating to the going concern assumption noted above, this key audit matter has not been included within this key audit matters section. This is in accordance with the guidance set out within ISA (UK) 701

These are explained in more detail below.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Carrying value of intangibles The Group holds material intangible assets. These intangibles comprise development costs and research and development. As set out in note 4, the group recognises an internally generated intangible asset arising from development (or from the development phase of an internal project) if all of the criteria per accounting standards can be demonstrated. This includes the ability to measure reliably the expenditure attributable to the intangible assets during its development. Costs are allocated between the capitalised project and other projects based on directors' judgement. Once capitalised, the directors make an assessment of the recoverability of these costs. The Directors have a duty to confirm that all intangibles, are correctly recognised and appropriately considered for any impairment at the year end. Furthermore, should impairment indicators be identified, there is a level of judgement exercised by	We have performed the following audit procedures: • our audit procedures included a consideration of whether the capitalisation criteria were met for the capitalised project; • costs capitalised consist of payroll costs and other costs. Other costs have been agreed to external documentation. Payroll costs have been agreed to a schedule prepared by the directors splitting payroll costs between the capitalised project and other projects, and this split has been tested by confirmation with the employees working on the capitalised project; • obtained and reviewed management's assessment of impairment of the intangibles held; • we have also reviewed the projected revenue and income streams against the capitalised projects to evaluate management's judgement that the carrying value is recoverable; • where indicators of impairment were identified, we challenged management's assessment of any future income from the intangibles; • where no indicators of impairment were highlighted by management, we challenged the judgements made in management's assessment by identifying contradictory signs of any potential indicators of impairment; • based on our work we consider that the costs capitalised satisfy the criteria of the relevant accounting standards and

management in estimating fair value of intangibles, which may result in inaccurate valuation of balances.

We have determined this to be a key audit matter due to the level of judgement involved in this area.

did not identify indications that an impairment was required; and

- considered the appropriateness of the Group's disclosures in the financial statements.

Based on the audit work performed, we are satisfied that management have appropriately valued intangibles in line with their accounting policy and in accordance with the requirements of IFRS. We are also satisfied that all necessary disclosure have been made in the consolidated financial statements.

Impairment of parent company investment in subsidiaries and carrying value of inter-company receivables – parent company financial statements only

We identified a risk that the investments and inter-company receivables of the parent company (Windar Photonics Plc) in its subsidiaries (subsidiaries are listed within note 16) may be impaired.

At the end of each reporting period, the directors are required to assess whether there is any indication that the investment in subsidiary undertakings and amounts receivable from subsidiary undertakings as shown in the parent company may be impaired.

Management's assessment of the recoverable amount of investments/inter-company receivables in/with subsidiaries requires estimation and judgement around assumptions used, including the cash flows to be generated from continuing operations. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting the value of investment in the subsidiaries/amounts receivable from subsidiaries and impairment charges.

The directors identified an indicator of impairment in relation to the investment value for the subsidiary undertakings and as a result carried out an impairment review. This area was significant to our audit because the directors' exercised judgement in determining the underlying assumptions used in this calculation.

We have performed the following audit procedures:

- reviewed management's assessment of future operating cashflows and indicators of impairment;
- compared the carrying value of the investment at the year end to the net assets and expected future profits of each subsidiary;
- assessed the methodology used by management to estimate the future profitability of its subsidiaries and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate;
- assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with the economic and industry statistics relevant to the business;
- challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at these;
- assessed the reasonability of cash outflows, including contracted delivery costs, and research and capital spend;
- considered the appropriateness of the Parent Company's disclosures in relation to any impairment in the Company only financial statements; and
- ensured that disclosures of the key judgements and assumptions, and sensitivity of the impairment loss recognised was appropriately disclosed.

Based on the audit work performed we are satisfied that the management have accounted for the impairment loss appropriately and in accordance with accounting standards, and the impairment loss is appropriately disclosed in the Parent Company financial statements.

OUR APPLICATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the Group financial statements as follows:

	Financial statements
Overall materiality	€105,200 (2021: €68,000).
How we determined it	Based on 10% of net loss (2021: Based on 2% of gross assets)
Rationale for benchmark applied	The basis for materiality has changed from the prior year. It is now considered that the group is coming out of start up. We believe that net loss is the primary measure used by the shareholders in assessing the performance of the group. This benchmark is considered the most appropriate because the group is a trading group.

We agreed with the Directors that we would report to them misstatements identified during our audit above €5,260 (2021: €3,400) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Based on our professional judgment, we determined materiality for the Company financial statements as follows:

	Financial statements
Overall materiality	€24,500 (2021: €35,000).
How we determined it	Based on of 2.5% of gross assets (2021: Based on of 5% of net loss)
Rationale for benchmark applied	The basis for materiality has changed from the prior year. Last year the focus was on the income statement due to impairments made. We now believe that gross assets is the primary measure used by the shareholders in assessing the performance of the Company. This benchmark is considered the most appropriate as the Company is a holding company.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the Directors to make significant judgements and estimates, for example in respect of the valuation of investment in subsidiaries, intangibles and inventory and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope
The UK operations and consolidation are accounted for from the UK. We conducted a full scope audit of the Group and key components whilst carrying out targeted audit procedures on non-significant components.

The Group financial statements are a consolidation of four companies made up of the parent company, an intermediate holding company and two trading companies. The principal trading company is located in Denmark and the other trading company is in Shanghai. The head office and main accounting location is located in Denmark. Our Group audit scope focused on the group's principal trading company and based on our risk assessment we determined this company to be the only component within the group which, in our view, required an audit of their complete financial information due to their size. This audit was performed by BDO Denmark. The other trading company and the intermediate holding company were subject to analytical review and audit testing on specific areas which were material or related to significant risks. This work was performed by Jeffreys Henry LLP together with additional procedures performed at Group level in respect of the audit of the parent company, the consolidation and going concern. These reviews gave us the evidence we needed to form our opinion on the Group financial statements as a whole.

Audits of the subsidiary companies were performed at lower levels materiality compared to group materiality and determined by us to be appropriate to the relative size of the company concerned. As part of our audit strategy detailed group audit instructions were issued to the component auditor and the Group audit team reviewed the complete audit file for the main trading company. Virtual communications were used to verify certain aspects of our audit.

We have audited all components within the Group, and no unaudited components remain.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the group through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
    - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
    - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 6 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions; and
- in response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
    - agreeing financial statement disclosures to underlying supporting documentation;
    - reading the minutes of meetings of those charged with governance;
    - enquiring of management as to actual and potential litigation and claims; and
    - reviewing correspondence with HMRC and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

USE OF THIS REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sachin Ramaiya (Senior Statutory Auditor)
For and on behalf of
Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
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WINDAR PHOTONICS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**Year ended 31 December 2022 €**	Year ended 31 December 2021 €
Revenue from contracts with customers	8	**1,853,249**	551,535
Cost of goods sold		**(906,638)**	(105,322)
Gross profit		**946,611**	446,213
Administrative expenses		**(1,953,607)**	(1,882,094)
Other operating income		**32,260**	32,271
Exceptional (expenses)/income	**9**	**(89,038)**	-
Loss from operations	9	**(1,063,774)**	(1,403,610)
Finance (expense)/income	12	**(230,734)**	25,520
Loss before taxation		**(1,294,508)**	(1,378,090)
Taxation	13	**218,837**	248,913
Loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		**(1,075,671)**	(1,129,177)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange gains/(losses) arising on translation of foreign operations		**22,817**	(92,348)
Total comprehensive loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		**(1,052,854)**	(1,221,525)
Loss per share attributable to the ordinary equity holders of Windar Photonics Plc			
Basic and diluted, cents per share	14	**(1.9)**	(2.1)

All activities relate to continuing operations.

The notes on pages 33 to 53 form part of these financial statements.

WINDAR PHOTONICS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	**31 December 2022 €**	31 December 2021 €
Assets			
Non-current assets			
Intangible assets	17	**1,196,996**	1,195,267
Property, plant & equipment	18	**106,983**	2,423
Deposits		**28,994**	26,398
Total non-current assets		**1,332,973**	1,224,088
Current assets			
Inventory	19	**699,236**	694,969
Trade receivables	20	**389,652**	991,734
Other receivables	20	**197,496**	157,919
Tax credit receivables	20	**218,928**	265,620
Prepayments		**47,860**	33,954
Cash and cash equivalents	21	**1,404,073**	40,548
Total current assets		**2,957,245**	2,184,744
Total assets		**4,290,218**	3,408,832
Equity			
Share capital	25	**834,771**	675,664
Share premium	26	**16,479,150**	14,502,837
Merger reserve	26	**2,910,866**	2,910,866
Foreign currency reserve	26	**(65,577)**	(88,394)
Retained earnings	26	**(19,818,092)**	(18,758,348)
Total equity		**341,118**	(757,375)
Non-current liabilities			
Warranty provisions	28	**45,774**	36,150
Holiday Allowance provisions	29	**134,734**	131,877
Loans	24	**1,690,462**	1,371,076
Total non-current liabilities		**1,870,970**	1,539,103
Current liabilities			
Trade payables	23	**264,083**	544,330
Other payables and accruals	23	**451,402**	758,234
Contract liabilities	23	**1,205,531**	951,606
Loans	23	**157,114**	372,934
Total current liabilities		**2,078,130**	2,627,104
Total liabilities		**3,949,100**	4,166,207
Total equity and liabilities		**4,290,218**	3,408,832

The financial statements were approved and authorised for issue by the Board of Directors on June 12 2023 and were signed below on its behalf by:

Jørgen Korsgaard Jensen, Director

The notes on pages 33 to 53 form part of these financial statements.
Company number: 09024532

WINDAR PHOTONICS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	**31 December 2022 €**	31 December 2021 €
Assets			
Non-current assets			
Investments in subsidiaries	16	**-**	-
Total non-current assets		**-**	-
Current assets			
Other receivables	20	**21,300**	12,898
Intragroup receivables	20	**183,579**	88,373
Cash and cash equivalents	21	**960,237**	4,454
Total current assets		**1,165,116**	105,725
Total assets		**1,165,116**	105,725
Equity			
Share capital	25	**834,771**	675,664
Share premium	26	**16,479,150**	14,502,837
Merger reserve	26	**658,279**	658,279
Foreign exchange reserve	26	**(7,746)**	(7,746)
Retained earnings	26	**(16,977,909)**	(16,088,210)
Total equity		**986,545**	(259,176)
Current liabilities			
Trade payables	23	**108,452**	186,271
Other payables and accruals	23	**70,119**	178,630
Total liabilities		**178,571**	364,901
Total equity and liabilities		**1,165,116**	105,725

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was €889,697 (2021 – loss €700,557).

The financial statements were approved and authorised for issue by the Board of Directors on June 12 2023, and were signed below on its behalf by:

Jørgen Korsgaard Jensen, Director

The notes on pages 33 to 53 form part of these financial statements.
Company number: 09024532

WINDAR PHOTONICS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**Year ended 31 December 2022 €**	Year ended 31 December 2021 €
Loss for the period before taxation		**(1,294,508)**	(1,378,090)
Adjustments for:			
Finance expense/(income)	12	**230,734**	(25,520)
Amortisation	17	**174,792**	254,339
Depreciation	18	**2,992**	25,115
Received tax credit		**265,510**	213,362
Foreign exchange gain/(losses)		**22,817**	(92,348)
Share option and warrant costs		**15,927**	22,773
		(581,736)	(980,369)
Movements in working capital			
Changes in inventory		**(4,268)**	(58,183)
Changes in receivables		**562,504**	(500,363)
Changes in prepayments		**(13,906)**	(19,760)
Changes in deposits		**(2,596)**	(1,017)
Changes in trade payables		**(280,247)**	(96,569)
Changes in contract liabilities		**253,926**	735,700
Changes in warranty provisions	28	**9,620**	(2,343)
Changes in other payables and provisions		**(306,832)**	528,803
Cash flow from operations		**(363,535)**	(394,101)
Investing activities			
Payments for intangible assets	17	**(297,540)**	(652,264)
Payments for tangible assets	18	**(107,456)**	-
Grants received	17	**121,019**	408,354
Cash flow from investing activities		**(283,977)**	(243,910)
Financing activities			
Proceeds from issue of share capital		**2,393,686**	-
Costs associated with the issue of share capital		**(258,266)**	-
Proceeds from new long-term loans		**373,055**	-
Repayment of loans		**(372,934)**	(22,180)
Interest received / (paid)		**(124,630)**	51,006
Cash flow from financing activities		**2,010,911**	28,826
Net increase/(decrease) in cash and cash equivalents		**1,363,399**	(609,185)
Exchange differences		**126**	23,372
Cash and cash equivalents at the beginning of the year		**40,548**	626,361
Cash and cash equivalents at the end of the year	21	**1,404,073**	40,548

The notes on pages 33 to 53 form part of these financial statements.

WINDAR PHOTONICS PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**Year ended 31 December 2022 €**	Year ended 31 December 2021 €
Loss for the period before taxation		**(889,699)**	(700,557)
Adjustments for:			
Finance Expenses and currency losses / (Income)		**17,313**	(20,332)
Write down of investment in subsidiary		**677,376**	559,137
		(195,010)	(161,752)
Movements in working capital			
Changes in receivables		**(8,402)**	(1,603)
Changes in loans to subsidiary entity		**(92,069)**	(67,728)
Changes in trade payables		**(77,819)**	18,320
Changes in other payables and provisions		**(108,512)**	88,850
Cash flow from operations		**(481,812)**	(123,913)
Investing activities			
Additional investment in subsidiary undertaking	16	**(677,376)**	(416,640)
Cash flow from investing activities		**(677,376)**	(416,640)
Financing activities			
Proceeds from issue of share capital		**2,393,686**	-
Cost associated with the issue of share capital		**(258,266)**	-
Interest expenses and currency losses during the year / (Income)		**(20,449)**	1,760
Cash flow from financing activities		**2,114,971**	1,760
Net Increase/(decrease) in cash and cash equivalents		**955,783**	(538,793)
Cash and cash equivalents at the beginning of the year		**4,454**	543,247
Cash and cash equivalents at the end of the year	21	**960,237**	4,454

The notes on pages 33 to 53 form part of these financial statements.

WINDAR PHOTONICS PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital	Share Premium	Merger reserve	Foreign currency reserve	Accumulated Losses	Total
	€	€	€	€	€	€
Group						
At 1 January 2021	**675,664**	**14,502,837**	**2,910,866**	**3,954**	**(17,651,944)**	**441,377**
Share option and warrant costs	-	-	-	-	22,773	22,773
Transaction with owners	**-**	**-**	**-**	**-**	**22,773**	**22,773**
Loss for the year	-	-	-	-	(1,129,177)	(1,129,177)
Exchange gains/(losses) arising on translation of foreign operations	-	-	-	(92,348)	-	(92,348)
Total comprehensive loss	**-**	**-**	**-**	**(92,348)**	**(1,129,177)**	**(1,221,525)**
At 31 December 2021	**675,664**	**14,502,837**	**2,910,866**	**(88,394)**	**(18,758,348)**	**(757,375)**
New shares issued	159,107	2,234,579	-	-	-	2,393,686
Costs associated with capital raise	-	(258,266)	-	-	-	(258,266)
Share option and warrant costs	-	-	-	-	15,927	15,927
Transaction with owners	**159,107**	**1,976,313**	**-**	**-**	**15,927**	**2,151,347**
Loss for the year	-	-	-	-	(1,075,671)	(1,075,671)
Exchange gains/(losses) arising on translation of foreign operations	-	-	-	22,817	-	22,817
Total comprehensive loss	**-**	**-**	**-**	**22,817**	**(1,075,671)**	**(1,052,854)**
At 31 December 2022	**834,771**	**16,479,150**	**2,910,866**	**(65,577)**	**(19,818,092)**	**341,118**

Company

	Share Capital	Share Premium	Merger reserve	Foreign currency reserve	Accumulated Losses	Total
At 1 January 2021	**675,664**	**14,502,837**	**658,279**	**(7,746)**	**(15,387,653)**	**441,381**
Loss for the year	-	-	-	-	(700,557)	(700,557)
Total comprehensive loss	**-**	**-**	**-**	**-**	**(700,557)**	**(700,557)**
At 31 December 2021	**675,664**	**14,502,837**	**658,279**	**(7,746)**	**(16,088,210)**	**(259,176)**
New shares issued	159,107	2,234,579	-	-	-	2,393,686
Costs associated with capital raise	-	(258,266)	-	-	-	(258,266)
Transaction with owners	**159,107**	**1,976,313**	**-**	**-**	**-**	**2,135,420**
Loss for the year	-	-	-	-	(889,699)	(889,699)
Total comprehensive loss	**-**	**-**	**-**	**-**	**(889,699)**	**(889,699)**
At 31 December 2021	**834,771**	**16,479,150**	**658,279**	**(7,746)**	**(16,977,909)**	**986,545**

The notes on pages 33 to 53 form part of these financial statement.

1. General information

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 09024532 in England and Wales. The Company's registered office is 3 More London Riverside, London, SE1 2AQ.

The Group was formed when the Company acquired on 29 August 2014 the entire share capital of Windar Photonics A/S, a company registered in Denmark through the issue of Ordinary Shares.

2. Adoption of new and revised International Financial Reporting Standards

New and amended standards adopted by the Group and Company.

Several amendments and interpretations apply for the first time in 2022.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021. (Amendment to IFRS 16)	1 April 2021
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract. (Amendments to IAS 37)	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use. (Amendments to IAS 16)	1 January 2022
IFRS	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 3	Reference to the Conceptual Framework. (Amendments to IFRS 3)	1 January 2022

The above new and amended standards which apply for the first time for these 2022 financial statements have been assessed by the Directors and to the extent that they may be applicable, the Directors have concluded that none of these have had a material impact to the Group's and Company's financial statements.

Standards, amendments and interpretations issued and effective in 2022 but not relevant
There are no IFRSs or IFRIC interpretations that are effective and not relevant to the Group and Company's.

Standards, amendments and interpretations issued but not yet effective in 2022
There were a number of standards and interpretations which were in issue at 31 December 2022 but not effective for periods commencing 1 January 2022 and have not been adopted for these financial statements. The Directors have assessed the full impact of these accounting changes on the Company. To the extent that they may be applicable, the Directors have concluded that none of these pronouncements will cause material adjustments to the Group's and Company's financial statements. They may result in consequential changes to the accounting policies and other note disclosures. The new standards will not be early adopted by the Group and Company and will be incorporated in the preparation of the Group and Company financial statements from the effective dates noted below.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Classification of Liabilities as Current or Non-current. (Amendments to IAS 1)	1 January 2023
IFRS 17	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.	1 January 2023
IAS 1	Disclosure of Accounting Policies. (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Amendments to IAS 12)	1 January 2023
IAS 8	Definition of Accounting Estimates. (Amendments to IAS 8)	1 January 2023
IFRS 16	Amendments to IFRS 16, Lease Liability in a Sale and Leaseback.	1 January 2024
IAS 1	Amendments to IAS 1, Non-current Liabilities with Covenants.	1 January 2024

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and Company.

3. Going Concern

The consolidated financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is anticipated to continue in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

Based on the Group's latest trading expectations and associated cash flow forecasts, the directors have considered the cash requirements of the Group on which basis the board is convinced the Company has sufficient cash flows for operations for the coming 12 months period.

However, as the Company foresee and plan for substantial growth in both 2023 and 2024 the cash flow projections rely on the precise execution of logistical plans within the entire supply chain. During the period, difficulty in obtaining supplies has had an impact on the group's ability to deliver on contracts or the Group has experienced delays in the start of assignments, which has had an impact on cashflows and could still impact future cashflows. It remains difficult to assess reliably whether there will be any further material disruption in the future which could adversely impact the group's forecast.

The risk related to the execution of the logistical plans is not only related to COVID-19 developments as seen in 2022 but also to the general performance of single suppliers whereby symmetry of deliveries to the Company has led and could still lead to over stocking and lack of deliveries to the final customers. Management is monitoring the supply chain developments on a daily basis, however any deviations could have a material impact, and as such the Board considers this risk to pose a materially uncertainty in respect of future cash flows in the Company, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

4. Accounting policies

Basis of preparation
The consolidated financial statements comprise the consolidated financial information of the Group as at 31 December 2022 and are prepared under the historic cost convention, except for the following:

- share based payments and share option and warrant costs

The principal accounting policies adopted in the preparation of the financial information are set out below.

The 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 United Kingdom ("adopted IFRSs").

Investment in subsidiaries
Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. The cost of Windar Photonics A/S was measured at the carrying amount of the Company's share of the equity in Windar Photonics A/S at 30 June 2014. During the year the Company established a new 100% owned Danish holding company which holds all outstanding shares in Windar Photonics A/S.

Capital contribution
Amounts forwarded to subsidiary entities which are not due to be repaid are treated as a capital contribution and an increase to the cost of the investment.

Functional and presentation currency
Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be Euro for the Parent Company, Danish Kroner DKK for Windar Photonics A/S and Windar Denmark ApS, and Renminbi RNB for Windar Photonics Shanghai Co. Ltd. The Group Financial Statements have been presented in Euro's which represent the dominant economic environment in which the Group operates.

Foreign currency
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Exchange rates apply for the annual accounts 2022:

	Year end 2022	Average 2022	Year end 2021	Average 2021
Euro/DKK	7,4365	7,4393	7,4365	7,4370
Euro/RMB	7,3585	7,0751	7,2227	7,6283

4. Accounting policies (continued)

On consolidation, the results of overseas operations are translated into Euros at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Revenue

Revenue arises from the sale of the WindEYE^{TM},and WindVISION^{TM} products and related services that measures remote wind speed measurements. Revenue is recognised exclusive of VAT and other taxes and when the Group has performed the specific obligations under the contract with customers.

Revenue arises from three areas of the business and is recognised as follows:

- Product sale. Revenue is recognised when the obligation of delivery of the product to the customer is complete at full contract value.
- Installation. Revenue is recognised when the obligation of acceptance of installation is complete at full contract value.
- Sale under performance obligation. Where there is a requirement to prove performance of product within the contract in respect of the increase in output from the turbines, revenue is recognised at a point in time when each of the distinct performance obligations are satisfied which is 60% on delivery of product, 30% on installation and 10% when the performance obligation in terms of generated output is met.

Where payment for installation and other performance services is received before the installation and other services have been completed, revenue is deferred and included within creditors and released on completion of the installation and service obligations.

No adjustment is made to the revenue recognised in respect of any financing component of the contract.

Where products are sold with warranties revenue is recognised in the period where the products are shipped and an appropriate provision for claims under warranty is based on past experience is accounted for in accordance to IAS 37. This is shown as an expense in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Other Operating Income includes sales of other services and rental income originating from outside the core business of the Group and is recognised exclusive of VAT and other taxes.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the board of directors.

Financial assets and liabilities

Financial instruments

The Group classifies all its financial instruments into the amortised cost category. The Group's accounting policy for each category is as follows:

- Trade and loan receivables: Trade receivables are initially recognised by the Group and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. An impairment provision is calculated by considering the trade receivables and expected credit losses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on factors affecting the Group's customers. An estimate for doubtful debts is also made when collection of the full amount is no longer probable. Debts are written off when they are identified as being uncollectible. Trade receivables and other receivables are recognised at fair value. Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the intercompany loans; Impairment of loan receivables is calculated utilising the lifetime expected credit losses of these loans and the changes in the credit risk of the counterparty
- Cash and cash equivalents in the statement of financial position comprise cash at bank, cash in hand but excluding restricted cash.
- Financial liabilities. The Group treats its financial liabilities in accordance with the following accounting policies:
- Trade payables and other short-term monetary liabilities are recognised at fair value and subsequently at amortised cost

4. Accounting policies (continued)

- Loans are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. “Interest expense” in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.

Share capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability.
The Company’s ordinary shares are classified as equity instruments.

Borrowing costs
Borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Current taxation
The current tax is based upon the taxable profit for the period together with adjustments, where necessary, in respect of prior periods. The Group’s asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the financial period end date.

Current tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base.
Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.
The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors and paid. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal. The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value, less its residual value, over their expected useful economic lives. It is provided at the following rates:

Plant and equipment	over 3 – 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets – Development projects
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- Technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally

4. Accounting policies (continued)

generated intangible asset can be recognised, development expenditure is recognised in Statement of Comprehensive Income in the period in which it is incurred. Capitalised development costs comprise costs, including wages and salaries. Amortisation or other finance expenses are not recognized.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Depreciation is provided on the basis of the assets' residual value and an assessment of the assets' expected useful lives, however, no more than 5 years from finishing the technology or receival of the first milestone-payment.

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Deposits

Deposits in respect of property rentals are recorded as separately identifiable assets and recognised at historical cost.

Inventory

Cost of raw materials and consumables consists of purchase price. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.
Inventories are initially recognised at cost and subsequently at the lower of cost and the net realisable value of inventories where the net realisable value is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Provisions

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability. Product warranty provisions are based at amortised costs by estimating a certain warranty percentage on delivered products over the past two years calculated at the actual cost of products at the end of the period.

Grants

Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants are recognised either in Statement of Comprehensive Income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate or where they related directly to capitalised costs, they are netted off the cost of the assets.
Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in Statement of Comprehensive Income in the period in which they become receivable.

Share based payments

The Group operates an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Employee benefits

Employees in the Group typically have variating holiday benefits. At the end of each reporting period the Group accrue these holiday liabilities.

4. Accounting policies (continued)

Leases
At the commencement date of the lease, the Group recognises a right-of-use asset and a corresponding lease liability which is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

5. Basis of consolidation

The consolidated financial statements incorporate the results of Windar Photonics plc and all of its subsidiary undertakings as at 31 December 2022 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns.
Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The acquisition of the subsidiary Windar Photonics A/S in 2014 was deemed to be a business combination under common control as the ultimate control before and after the acquisition was the same. As a result, the transaction is outside the scope of IFRS 3 and has been included under the principles of merger accounting by reference to UK GAAP. In 2022 the direct ownership of the subsidiary was changed whereafter the 100% owned subsidiary Windar Photonics Denmark ApS holds the 100% direct ownership of Windar Photonics A/S.

Under the merger method, the income, expense, assets and liabilities of Windar Photonics A/S and Windar Denmark ApS have been included in the consolidated financial statements of Windar Photonics plc as if it had always been a member of the Group, taking into account the original acquisition date of the wider Group. The amounts attributed to the assets (including goodwill) and liabilities of Windar Photonics A/S therefore reflect their book values as at 1 January 2013. Any difference between the consideration paid for the acquisition of Windar Photonics A/S by the Company and the net book value of the assets (including attributed goodwill) and liabilities acquired of €1.5m has been treated as an adjustment in the merger reserve.

6. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group has made no significant judgements other than described below. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below. The Group considers that these risks relate to the next financial period and those in the future by the nature of those judgements.

(a) Useful lives of intangible assets
Intangible assets with finite useful life are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Statement of Comprehensive Income in specific periods. The useful life of all development projects has been estimated at five years from the date of capitalisation. The carrying value at the end of the period was €1,196,996 and a change in the estimate of useful life from 5 to 3 years would reduce this amount by €275,042 and the amortisation charged to the Statement of Comprehensive income for the year would have decreased by €42,359. More details are included in note 17.

(b) Warranty provision
The Group makes a provision of 4% on delivered products within the prior two years for potential warranty claims based on the typical warranty period provided to customers. Management are satisfied that the current provision is appropriate and will review the percentage used on an annual basis as more information becomes available on the warranty position. A change in the provision for warranty by an additional 2% would increase the charge to the Statement of Comprehensive income for the year by €22,887 and the Provision at the end of the year would have increased by €22,887. More details including the warranty provision at the end of the period €45,774 are included in note 28.

(c) Impairment of intangible assets
In assessing impairment, Management estimates the recoverable amount of cash generating units based on expected future cash flows and uses the weighted average cost of capital to discount them. At the end of each reporting period Management reviews a four year forward looking financial projection including a terminal value for the Group. The Management has further evaluated the terminal growth expectations and the applied discount rate applicable to derive a Net Present Valuation (NPV) of the Group. If the NPV of the Group shows a lower valuation than the net assets or the company cost of investment in subsidiary an impairment will be made. Based on this evaluation including Managements estimates and assumption no impairment was made during the reporting period. Estimation uncertainty relates to assumptions about future operating results in particular sales volumes and the determination of a suitable discount rate.

(d) Impairment of investment in subsidiaries
In assessing impairment of investments in subsidiaries, management estimates the recoverable amount of each asset. Management has estimated the impairment for the carrying value of the investment in reference to the net asset value of the subsidiaries. Estimation uncertainty relates to assumptions about future operating results. Also see note 16 for details in relation to investments.

(e) Estimation of the expected credit losses or trade receivables
In assessing the expected credit losses, in respect of the trade receivables under IFRS9, the Group considers the past performance of the receivable book along with future factors, that may affect the credit worthiness of the entire trade receivables. Estimations have therefore been made within these assumptions which could affect the carrying value of the trade receivables.

7. Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

7. Financial instruments – Risk Management (continued)

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Group, from which financial instrument risk arises, include Trade and other receivables, Cash and cash equivalents, loans and Trade and other payables.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receive monthly reports from the finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. In 2016 the Group restricted its policy in respect of credit risks related to customers. Prior to any major sales of products or services to new customers the Group seeks to either

- receive prepayments or
- obtain full credit risk insurance

or a combination of the above, hence the Group's exposure to credit risk from trade and other receivables is considered insignificant.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only major independently rated parties with minimum rating "A" are accepted.

The Group does not enter into derivatives to manage credit risk.

Fair value and cash flow interest rate risk
The Growth Fund borrowing from the Danish public institution, Vækstfonden, initially bore interest at a fixed annual rate of 12 per cent. As announced during 2020, the terms for the borrowing was renewed whereafter the interest rate was reduced to 7 percent p.a. and the loan to be repaid on a quarterly basis instalment over the period from 1 January, 2022 until 1 October, 2026. As further announced in 2022 the repayment schedule was renegotiated whereby the first quarterly instalment was postponed till 1 October 2023 whereafter the total principal amount is to be repaid during the following 4 years.

In 2020 the Company obtained an additional Covid-19 loan the Growth Fund borrowing from the Danish public institution, Vækstfonden carrying an interest rate of CIBOR plus 5% and the loan to be repaid on a quarterly basis instalment over the period from 1 October 2021 until 1 October 2026. In the event the CIBOR rate changes by 5% p.a. the interest expenses charged to the Profit and Loss statement would change by €15,806 p.a.

Foreign exchange risk
Foreign exchange risk also arises when the Group enters into transactions denominated in a currency other than their functional currency (€). Given the volume and magnitude of such transactions it is not considered sufficient to warrant hedging the risk exposure.

The Group's main foreign currency risk will be the short-term risk associated with accounts receivable and payable denominated in currencies that were not the subsidiary's functional currency. The risk will arise on the difference in the exchange rate between the time invoices were raised/received and the time invoices were settled/paid.
The Group's policy is, where possible, to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries (translation risk).

7. Financial instruments – Risk Management (continued)

The Group is aware of its non-Euro exposures but does not consider that at present a hedging program be required. Raw materials and capital expenditure are primarily in Euro (€) and US Dollars whilst the target revenue market is Asia, Europe and the USA. Any divergence from this would be considered by management with a view to putting cover in place.

The Group has significant operations in the following currencies: Euro (€), Danish Kroner (DKK) and Chinese Yuan (RMB).

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	€	**€**	**€**	**€**	**€**
At 31 December 2022					
Trade payables	264,083	-	-	-	-
Other payables and accruals	-	451,402	-	-	-
Loans	18,030	139,084	426,944	1,263,518	-
Total financial liabilities	282,113	590,486	426,944	1,263,518	-
At 31 December 2021					
Other payables and accruals	-	758,234	-	-	-
Loans	108,342	264,592	373,146	913,190	84,740
Total financial liabilities	652,672	1,022,826	373,146	913,190	84,740

More details in regard to the line items are included in note 23 and 24.

Capital Disclosures
The Group monitors capital, which comprises all components of equity (i.e. share capital, share premium, merger reserve and accumulated retained earnings).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

8. Revenue

Revenue from contracts with customers:	**Year ended 31 December 2022 €**	Year ended 31 December 2021 €
Sale of products and installation	**1,820,762**	550,558
FkeyRendering of services	**32,487**	977
Revenue	**1,853,249**	551,535

Revenue from contracts with customers is split of products as follows:

	Year ended 31 December 2022 €	Year ended 31 December 2021 €
WindEye™	**1,250,834**	256,663
WindVision™	**569,928**	293,895
Rendering of services	**32,487**	977
Revenue	**1,853,249**	551,535

Contract liabilities of €1,205,531 (2021: €951,606) relates to performance obligation under contracts that have not yet been completed and are expected to be met in 2023.

9. Loss from operations

Loss from operations is stated after:

	Year ended 31 December 2022 €	**Year ended 31 December 2021 €**
Staff costs (note 11)	**1,253,715**	1,072,454
Expensed research and development costs	**633,451**	328,582
Amortisation[1]	**174,792**	254,339
Depreciation	**2,474**	25,115
Lease payments	**105,066**	108,589
Other Operating Income	**(32,260)**	(32,271)
Remuneration received by the Group's auditor or associates of the Group's auditor:		
- Audit of parent company	**8,760**	8,340
- Additional amounts relating to the prior year group audit charged during the current year	**-**	12,774
- Audit of consolidated financial statements		
- Taxation compliance services	**20,678**	22,638
Other auditors:	**1,128**	953
- Audit of overseas subsidiaries	**16,233**	25,071

[1] Amortisation charges on the Group's intangible assets are recognised in the administrative expenses line item in the consolidated statement of comprehensive income.

Above loss specification excludes exceptional expenses in 2022 of €89,038 relating to solicitor and auditor costs related to the suspension of the Company in 2022.

10. Segment information

Operation segments are reported as reported to the chief operation decision maker.

The Group has one reportable segment being the sale of LiDAR Wind Measurement and therefore segmental results and assets are disclosed in the consolidated income statement and consolidated statement of financial position.

In 2022, one customer accounted for more than 25 per cent of the revenue (2021: two customers). The total amount of revenue from this customer amounted to €752,893 or 41 per cent of the total revenue (2021: €302,199 or 55 per cent of the revenue)

Revenue by geographical location of customer:

	Year ended 31 December 2022 €	Year ended 31 December 2021 €
Europe	**18,737**	7,519
Americas	**870,817**	-
China	**899,573**	544,016
Asia (excluding China)	**64,122**	-
Revenue	**1,853,249**	551,535

Geographical information
The parent company is based in the United Kingdom. The information for the geographical area of non-current assets is presented for the most significant area where the Group has operations being Denmark.

	As at 31 December 2022 €	As at 31 December 2021 €
Denmark	**1,327,449**	1,216,037

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

11. Directors and employees

	2022 Average	Year end	2021 Average	Year end
Number of employees excluding directors				
Sales and Services	**4**	**4**	7	5
Research and development	**12**	**11**	11	13
Production	**5**	**5**	4	4
Administration	**3**	**3**	3	3
	24	**23**	25	25

11. Directors and employees (continued)

Group	**2022**	**2021**
	€	**€**
Staff costs		
Wages and salaries	**1,114,985**	971,863
Social security costs	**122,803**	77,818
	1,237,788	1,049,681
Warrant and Option costs	**15,927**	22,773
	1,253,715	1,072,454

	2022	**2021**
Company		
	€	€
Staff costs		
Wages and fees	**41,850**	13,450
	41,850	13,450

The Company has 4 employees (2021: 3), all being the Directors of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Group, and are considered to be directors of the company.

The value of all elements of remuneration received by key management in the year was as follows:

	Wages and salaries and fees	**Fair value of warrant costs**	**Pension contributions**	**Total**
	€	**€**	**€**	**€**
Year ended 31 December 2022				
Directors	**41,850**	**-**	**-**	**41,850**
Year ended 31 December 2021				
Directors	13,450	-	-	13,450

12. Finance income/(expense)

	Year ended 31 December 2022	**Year ended 31 December 2021**
	€	**€**
Foreign exchange gains/(losses)	**(82,086)**	143,019
Interest expense on financial liabilities measured at amortised cost	**(148,648)**	(117,499)
Finance income/(expense)	**(230,734)**	25,520

13. Income tax

		Year ended 31 December 2022 €	Year ended 31 December 2021 €
(a)	**The tax credit for the year:**		
	UK Corporation tax	**-**	-
	Foreign Research and Development tax credit	**(218,837)**	(248,913)
(b)	**Tax reconciliation**		
	Loss on ordinary activities before tax	**(1,294,508)**	(1,378,090)
	Loss on ordinary activities at the UK standard rate of corporation tax 19% (2021: 19%)	**(245,956)**	(261,837)
	Effects of:		
	Expenses non-deductible for tax purposes	**8,838**	46,061
	Research and Development tax allowance	**(56,699)**	(74,679)
	Adjustment to not recognized deferred taxes in previous periods	**(33,979)**	23,583
	Unrecognised tax losses	**137,165**	118,873
	Different tax rates applied in overseas jurisdictions	**(55,918)**	(47,098)
	Exchange rate differences	**27,712**	(53,816)
	Research and Development Tax credit for the year	**(218,837)**	(248,913)

The tax credit is recognised as 22 per cent. (2021: 22 per cent) of the company's deficit that relates to research and development costs. Companies in Denmark, who conduct research and development and accordingly experience deficits can apply to the Danish tax authorities for a payment equal to 22 per cent. (2021; 22 per cent) of deficits relating to research and development costs up to DKK 25 million.

(a**) Deferred tax – Group**
In view of the tax losses carried forward and other timing differences there is a deferred tax asset of approximately €3,085,177 (2021: €2,948,012) which has not been recognised in these Financial Statements, given uncertainty around timing and availability of sufficient taxable profits in the relevant Company.

(b) Deferred tax – Company
In view of the tax losses carried forward and other differences there is a deferred tax asset of approximately €409,952 (2021: €389,814) which has not been recognised in these Financial Statements, given uncertainty around timing and availability of future profit against which the losses will be able to be used.

All taxes recognized in the statement of Comprehensive income are denominated in DKK.

14. Loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Year ended 31 December 2022 €	Year ended 31 December 2021 €
Loss for the year	**(1,075,671)**	(1,129,177)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**55,963,110**	54,595,522
Basic loss and diluted, cents per share	**(1.9)**	(2.1)

There is no dilutive effect of the outstanding share options (note 25) as the dilution would reduce the loss per share.

15. Dividends

No dividends were proposed by the Group during the period under review (2021: €Nil).

16. Investment in Subsidiaries

Company	€
At 1 January 2022	-
Capital subscriptions in the year	5,376
Capital contribution in the year	672,000
Write down investment in subsidiary	(677,376)
As at 31 December 2022	**-**

The subsidiaries of Windar Photonics Plc are as follows:

Name	Country of incorporation	Ownership	Registered Office	Nature of business
Windar Denmark ApS	Denmark	100%	Helgeshoej Allé 16-18 DK-2630 Taastrup	Holding company
Windar Photonics A/S	Denmark	100% indirect	Helgeshoej Allé 16-18 DK-2630 Taastrup,	Develop and commercialise wind turbine technology
Windar Photonics (Shanghai) Co. Ltd.	China	100% indirect	Room 403-03, Building #2 No. 38 Debao Road, Pudong, Shanghai	Commercialise wind turbine technology

During the year the Company established Windar Denmark ApS and owns 100 per cent. of the issued share capital of Windar Denmark ApS (comprising shares of DKK 40,000 of 1 DKK each) with CVR number 43615947.

In November 2022 the Company transferred all outstanding shares in Windar Photonics A/S (CVR number 32157688) to Windar Denmark ApS. Following the transaction, the existing share capital in Windar Photonics A/S of DKK 9,380,392 (comprising A Shares of DKK 5,737,800 of 1 DKK each and B Shares of DKK 3,642,592 of 1 DKK each) were reduced to DKK 400,000 without any difference in share classes.

Windar Photonics A/S was incorporated on 28 December 2008 in Denmark and acquired by the Company in August 2014.

During the year the Company invested funds received from the share placing into subsidiaries, and a total transfer of funds of €769,445 was made during the year. A further capital contribution of €672,000 was made to Windar Denmark ApS during the year.

Windar Photonics A/S owns 100 per cent. of the issued common stock of Windar Photonics (Shanghai) Co.Ltd. Windar Photonics (Shanghai) Co. Ltd. was incorporated on 18 May 2016 in China with a registered capital of USD 200,000 of which USD 200,000 is paid in as per 31 December 2022.

17. Intangible assets

Group	**Development projects €**
Cost	
At 1 January 2021	**3,774,766**
Additions	652,264
Grants received	(408,354)
Exchange differences	1,437
At 31 December 2021	**4,020,113**
Additions – internally developed	297,540
Grants received	(121,019)
Exchange differences	74
At 31 December 2022	**4,196,708**
	Development projects €

Accumulated amortisation	
At 1 January 2021	**2,569,523**
Charge for the year	254,339
Exchange differences	984
At 31 December 2021	**2,824,846**
Charge for the year	174,792
Exchange differences	74
At 31 December 2022	**2,999,712**
Net carrying value	
At 1 January 2021	1,205,243
At 31 December 2021	1,195,267
At 31 December 2022	**1,196,996**

The Group has received public Research and Development Grants of €121,019 (2021: €408,354) in respect of the capitalised research and development. At the end of the year 2 development projects are ongoing which are supported by public Research and Development Grants and outstanding grants which can be claimed in the coming two years amount to €209,754 (2021: €402,893) which could be claimed in the following 2 years).

The development projects relate to the development of improved performance and functionality of the Company's product offerings. Measurement of the development projects are based on expected contributions to forward looking business plans and budgets.

18. Property, plant & equipment

Group	**Plant and equipment €**
Cost	
At 1 January 2021	**226,909**
Additions	-
Disposed	-
Exchange differences	1,313
At 31 December 2021	**228,222**
Additions	107,456
Disposed	-
Exchange differences	45
At 31 December 2022	**335,723**
Accumulated depreciation	
At 1 January 2021	**199,211**
Charge for the year	25,111
Disposed	-
Exchange differences	1,477
At 31 December 2021	**225,799**
Charge for the year	2,992
Disposed	-
Exchange differences	(51)
At 31 December 2022	**228,740**
Net carrying value	
At 1 January 2021	27,698
At 1 January 2022	2,423
At 31 December 2022	106,983

19. Inventory

	Group	
	As at 31 December 2022	**As at 31 December 2021**
	€	**€**
Raw material	**382,027**	363,216
Work in progress	**294,852**	46,879
Finished goods	**22,357**	284,874
Inventory	**699,236**	694,969

The cost of inventory sold and recognised as an expense during the year was €897,017 (2021: €107,679)

20. Trade and other receivables

	Group		Company	
	As at 31 December 2022	As at 31 December 2021	**As at 31 December 2022**	As at 31 December 2021
	€	€	**€**	€
Trade receivables	**389,652**	1,865,023	**-**	-
Less; provision for impairment of trade receivables	**-**	(873,289)	**-**	-
Trade receivables – net	**389,652**	991,734	**-**	-
Receivables from related parties	**-**	-	**183,579**	88,373
Total financial assets other than cash and cash equivalents classified at amortised costs	**389,652**	991,734	**183,579**	88,373
Tax receivables	**218,928**	265,620	**-**	-
Other receivables	**197,496**	157,919	**21,300**	12,898
Total other receivables	**416,424**	423,539	**21,300**	12,898
Total trade and other receivables	**806,076**	1,415,273	**204,879**	12,898
Classified as follows:				
Current Portion	**806,076**	1,415,273	**204,879**	101,271

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
	€	€	€	€
Gross carrying amount	-	800	75,749	76,549
Loss provision	-	-	-	-
Net carrying amount	-	800	75,749	76,549

20. Trade and other receivables (continued)

There is no material difference between the net book value and the fair values of trade and other receivables due to their short-term nature.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.
The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts of are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

21. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity less than 90 days:

	Group		**Company**	
	As at 31 December 2022 €	As at 31 December 2021 €	**As at 31 December 2022 €**	As at 31 December 2021 €
Cash at bank	**1,404,073**	40,548	**960,237**	4,454

22. Notes supporting statement of cash flows

	Non-current loans and borrowings €	Current loans and borrowings €	**Total €**
As at 1 January 2021	1,719,825	22,173	**1,741,998**
Repayment of loans	-	(22,180)	**(22,180)**
Accrued interests on non-current loans	23,538	-	**23,538**
Loans and borrowings classified as non-current in previous period becoming current in this period	(372,934)	372,934	**-**
Foreign exchange rate differences	647	7	**654**
As at 31 December 2021	**1,371,076**	**372,934**	**1,744,010**
Repayment of loans	-	(93,686)	**(93,686)**
Loans and borrowings classified as non-current in previous period becoming current in this period	(157,114)	157,114	**-**
Accrued interests on non-current loans	103,247	-	**103,247**
Loans and borrowings classified as current in previous period becoming non-current in this period	-	-	**-**
New long-term borrowings in the period	373,055	(279,248)	**93,807**
Foreign exchange rate differences	198	-	**198**
As at 31 December 2022	**1,690,462**	**157,114**	**1,847,576**

The Company does not have any long- or short-term loans or borrowings.

23. Trade and other payables

	Group		Company	
	As at 31 December 2022 €	As at 31 December 2021 €	**As at 31 December 2022 €**	As at 31 December 2021 €
Trade payables	**264,083**	544,330	**108,452**	186,271
Other payables and accruals	**410,600**	615,932	**29,317**	36,328
Payables to Directors	**40,802**	142,302	**40,802**	142,302
Current portion of Growth Fund and Covid-19 loans	**157,114**	372,934	**-**	-
Total financial liabilities, excluding 'non-current' loans and borrowings classified as financial liabilities measured at amortised cost	**872,599**	1,675,498	**178,571**	364,901
Contract liabilities	**1,205,531**	951,606	**-**	-
Total trade and other payables	**2,078,130**	2,627,104	**178,571**	364,901
Classified as follows:				
Current Portion	**2,078,130**	2,627,104	**178,571**	364,901

There is no material difference between the net book value and the fair values of current trade and other payables due to their short-term nature.

24. Borrowings

The carrying value and fair value of the Group's borrowings are as follows:

	Group Carrying and Fair value	
	As at 31 December 2022 €	As at 31 December 2021 €
Loans		
Growth Fund and COVID-19 loans	**1,847,576**	1,744,010
Current portion of Growth Fund and COVID-19 loans	**(157,114)**	(372,934)
Total non-current financial liabilities measured at amortised costs	**1,690,462**	1,371,076

The Growth Fund borrowing from the Danish public institution, Vækstfonden, initially bore interest at a fixed annual rate of 12 per cent with a full bullet repayment in June 2020. As announced in 2020 terms for the borrowing was renewed during the year whereafter the interest rate was reduced to 7 percent p.a. and the loan to be repaid in quarterly instalments over the period from 1 January, 2022 until 1 October, 2026. The loan agreement was further amended in 2022 whereby interests payable until September 2022 were further accrued to the loan principal hereafter the loan principal to be repaid in quarterly instalments over the period from 1 October 2023 until 1 July 2027. In November 2022 the loan was transferred to Windar Denmark ApS.

A new Covid-19 loan was further obtained during 2020 from Vækstfonden which carries an interest rate of CIBOR plus 5 percent p.a. and to be repaid in quarterly instalments over the period from 1 October 2021 until 1 October 2026.

24. Borrowings (continued)

In 2020 relation with the changes to the existing Growth Fund borrowing and the new offered loan, the lender now has security of the assets of Windar Photonics A/S, subsidiary undertaking, to an amount of DKK12.6m. In relation to the additional Covid-19 loan the following terms and conditions are in place:

- There is an early exit fee set at a maximum DKK600k
- No dividends or corporate bond interest will be paid. Dividend distributions from Windar Photonics A/S to Windar Photonics PLC has been restricted until full repayment of the borrowing to the Growth Fund.
- No payment of inter-company debts from Windar Photonics A/S. Windar Photonics PLC has entered into an agreement to resign from repayments of any outstanding amounts owned by Windar Photonics A/S to Windar Photonics PLC until full repayment of the borrowing to the Growth Fund.
- The loan is secured up to a value of DKK12.6M on certain assets of Windar Photonics A/S, subsidiary undertaking.

Both loans are denominated in Danish Kroner.

The Company had no borrowings.

25. Share capital

	Authorised 2022	€ 2022	Authorised 2021	€ 2021
Shares at beginning of reporting period	**54,595,524**	**675,664**	54,595,524	675,664
Issue of share capital	13,765,920	159,107	-	-
Shares at end of reporting period	**68,361,444**	**834,771**	54,595,524	675,664

	Number of shares issued and fully paid 2022	€ 2022	Number of shares issued and fully paid 2021	€ 2021
Shares at 1 January 2021	**54,595,524**	**675,664**	54,595,524	675,664
Issue of shares for cash	13,765,920	159,107	-	-
Shares at 31 December 2022	**68,361,444**	**834,771**	54,595,524	675,664

At 31 December 2022 the share capital comprises 68,361,444 shares of 1 pence each.

On 25 and 29 November 2022 the company issued 13,640,920 ordinary shares of 1 pence each for a cash consideration at £0.15 per share. On 30 December 2022 the company issued 125,000 ordinary shares of 1 pence each for cash contribution at £0.20 per share.

Share options

Share options are granted to employees.

During the year a total of 10,833 share options lapsed, and no new share options were granted during the year.

Share options issued in 2017, 2019 and 2021 are valued using the Black-Scholes pricing model and no performance conditions are included in the fair value calculations. The options were issued at a strike price of 100p in respect of share options granted in 2017 and 2019 and a strike price of 40p for options granted in 2021. All share options granted with a third vesting on each anniversary for the first three years whereafter the options have a 10-year life. The price of the share at the time of issue used equals the actual market price of the share at issue. The risk-free rate was 1.15%. The expected volatility is based on historical volatility of the AIM market over the last two years and is estimated to be 40%.

25. Share capital (continued)

The average share price during the year was 12.67 pence (2021: 21.14 pence). At the year end the Company had the following options outstanding:

	Number of options					
	At 31 December 2021	**Granted**	**Lapsed**	**At 31 December 2022**	**Exercise price (£ pence)**	**Exercise date**
Options	1,032,500	-	(10,833)	1,021,667	72.40	16/11/18 to 01/04/35
	1,032,500	-	(10,833)	1,021,667		

The number of share options exercisable at 31 December 2022 are 803,287 (2021: 589,583).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 is 8.92 years (2021: 10.37 years).

26. Reserves

The following describes the nature and purpose of each reserve within equity

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve – Group	Represents the difference between the consideration paid for the acquisition of Windar Photonics A/S by the Company and the net book value of the assets and liabilities acquired.
Merger reserve - Company	Represents the difference between the fair value and the nominal value of the shares issued for the acquisition of Windar Photonics A/S.
Foreign currency reserve	Gains and losses on the retranslating the net assets from the functional currencies to the reporting currency of €.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

27. Short term leases

The Company has no leasing commitments with maturity longer than 6 months.

28. Warranty provision

	2022	**2021**
	€	**€**
Provision at the beginning of reporting period	**36,150**	38,493
Provision charged to the profit and loss account	**9,620**	(2,358)
Utilised in year	**-**	-
Foreign exchange rate movements	**4**	15
	45,774	36,150

The Group typically provides a two-year warranty period to customers on products sold. Warranty expenses/(income) charged to the Statement of Comprehensive Income amounted to €9,620 (2021: (€2,358)) corresponding to a warranty cost percentage of Nil % (2021: Nil%) relative to the prior two years revenue. However, due to the early business stage of the Group and the uncertainty following this the Group has adopted a policy to accrue a 4% provision based on the prior two years deliveries calculated with the cost of goods sold at the end of the period.

29. Holiday allowance provision

	2022 €	2021 €
Provision at the beginning of reporting period	**131,877**	129,879
Increase holiday allowance provision in year	**-**	-
Accrued interest	**2,857**	1,949
Foreign exchange rate movements	**-**	49
	134,734	131,877

30. Related Party Transactions

Jørgen Korsgaard Jensen and Johan Blach Petersen are directors and shareholders of Wavetouch Denmark A/S (Wavetouch) and OPDI Technologies A/S (OPDI). Wavetouch has during the year rented office space from Windar Photonics A/S, the amount payable during the year to Windar was €32,261 (2021: €32,273). At the end of the year receivable amounts were outstanding from Wavetouch €81,628 (2021: €(193,173)). At the end of the year there were amounts outstanding to Jorgen Korsgaard Jensen €416 (2021: €77,280), Johan Blach Petersen €6,850 (2021: € 65,022) and Søren Høffer €33,536 (2021: €33,536). During the year Jorgen Korsgaard Jensen issued a loan to the company of €51,183 and subscribed new shares in the Company for an amount of €115,600. During the year Johan Blach Petersen subscribed new shares in the Company for an amount of €71,672. Further Pasinika Limited a significant shareholder in the Company, received a fee from the Company of €4,000.

Intercompany transactions

At 31 December 2022 there exist an intercompany loan between Windar Photonics PLC and its directly or indirectly held subsidiaries Windar Denmark ApS and Windar Photonics A/S.
Windar Photonics PLC has a receivable at €183,579 (2021: €88,373) and interest added during 2022 amounts to €3,136 (2021: €11,054) with Windar Photonics A/S and Windar Denmark ApS.
The interest rate for 2022 is Bank of England base rate + 2.5% p.a. (2021: Base rate + 2.5% p.a.).

31. Controlling Parties

There is no ultimate controlling party of the Company.

32 Post balance sheet events and outstanding lawsuits

No material events have happened post balance sheet date and no outstanding lawsuits are ongoing at the end of the year or post balance sheet date.

WINDAR PHOTONICS PLC

NOTICE OF ANNUAL GENERAL MEETING

This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from your stockbroker, solicitor, accountant or other professional adviser. If you have sold or otherwise transferred all your shares in Windar Photonics plc, please forward this document, together with any accompanying documents, to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who how holds the shares.

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Windar Photonics Plc (the "Company") will be held at the offices of WH Ireland, 24 Martin Lane, London, EC4R 0DR at 1.00 p.m. on 11 July 2023 for the purpose of considering and, if thought fit, passing the resolutions below.

Resolution 7 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

As Ordinary Resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 31 December 2022 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect P J Hodges, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director
3. To re-elect A J Richardson, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director
4. To appoint Gravita Audit Limited, as Jeffrey Henry LLP do not seek re-appointment, as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the meeting.
5. To authorise the Directors to fix the remuneration of the auditors.
6. That, in substitution for all subsisting authorities to the extent unused, the Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares in the Company and grant rights to subscribe for, or to convert any security into such ordinary shares (such ordinary shares and rights to subscribe for or to convert any security into ordinary shares being relevant securities) up to an aggregate nominal amount of £222,100, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 30 June 2024 (unless renewed, varied or revoked by the Company prior to or on that date) after the date of this resolution (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities allotted, or rights to be granted, after such expiry and the directors may allot relevant securities, in pursuance of such offer or agreement as if the authorisation conferred hereby had not expired).

As a Special Resolution

7. That, subject to the passing of resolution 6 above and in substitution for all subsisting authorities to the extent unused, the Directors be generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'CA 2006') to allot equity securities (as defined in section 560 CA 2006) pursuant to the authority referred to in resolution 5, as if section 561(1) CA 2006 did not apply to any such allotment, provided that the power was:
    1. limited to the allotment of equity securities in connection with an offer of equity securities:
        a. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        b. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary.
    2. limited to the allotment of equity securities up to an aggregate nominal amount of 222,100, and shall expire on the earlier of the conclusion of the next annual general meeting and 30 June 2024 (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company, may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

Dated June 12, 2023

By Order of the Board

Jørgen Korsgaard Jensen

Director

Registered Address: 3 More London Riverside, London SE1 2AQ Registered Number: 09024532

Explanatory Notes to the Notice of Annual General Meeting (“AGM”)

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 7 is proposed as a special resolution. This means that for this resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Approval of the annual report and accounts

The Company is required to present its report and accounts to shareholders at its AGM. This provides an opportunity to discuss the performance of the Company during the year, its management and prospects for the future.

Resolutions 2 and 3: Re-election of directors

The Company's articles one third of the Directors to retire by rotation at each AGM and at the first AGM following their appointment. The board proposes them for re-election as Directors of the Company. Biographical details of all directors can be found on page 9 of the 2022 annual report.

Resolutions 4 and 5: Auditors reappointment and remuneration

It is a requirement that the Company’s auditor must be reappointed at each general meeting at which financial statements are laid, in effect, at each AGM. After considering relevant information, the Audit Committee recommended to the Board the appointment of Gravita Audit Limited. Resolution 4 proposes Gravita Audit Limited – see page 12 and Resolution 5 authorises the Directors to determine their remuneration.

Resolution 6: Directors' power to allot relevant securities

Under section 551 of the Companies Act 2006, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the Directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £222,100, which is equal to 30% of the nominal value of the current issued share capital of the Company. Such authority will expire at the conclusion of the next AGM of the Company or six months after the Company’s accounting reference date, being 30 June 2024 (whichever is the earlier).

Resolution 7: Disapplication of pre-emption rights on equity issues for cash

Section 561 of the Companies Act 2006 requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £222,100, which will be equal to 30% of the nominal value of the current issued share capital of the Company, assuming resolution 5 being passed. The Directors believe that the powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next AGM of the Company or six months after the Company’s accounting reference date, being 30 June 2024 (whichever is the earlier).

Notes

1. A member of the Company entitled to vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. A proxy need not be a member of the Company but must attend the meeting to represent you.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact Share Registrars on 01252 821390, overseas callers should call +44 1252 821390.
3. A Form of Proxy is enclosed. To be effective, the Form of Proxy together with any power of attorney or other written authority under which it is signed, or a notarial certified copy or a certified copy in accordance with the Powers of Attorney Act 1971 of such power or written authority must be completed signed and to be valid the proxy must be duly executed and deposited with the Company at the offices of the Company’s registrars, Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX , not later than 1 p.m. on 7 July 2023.
4. Completion and return of a Form of Proxy will not prevent a member from attending and voting in person if he or she so wishes.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company’s register of

members not less than 48 hours before the time of the meeting or, in the event that the meeting is adjourned, on the Register of Members of the Company not less than 48 hours before the time of any adjourned meeting, and only such members shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 1 p.m. on 7 July 2023 or, in the event that the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

7. In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.

8. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a “vote’ in law and will not be counted in the calculation of the proportion of votes “For” and “Against” a resolution.

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact Share Registrars (see note 3 above). If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. In order to revoke a proxy instruction, you will need to inform the Company using one of the following methods:

    By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Ltd, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    In either case, the revocation notice must be received by Share Registrars no later than 1 p.m. on 11 July 2023.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

11. A copy of the proposed draft rules of the EMI and copies of the contracts of service between each executive director and the letters of appointment of the non-executive directors are available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company. These together with the register of directors’ interests in shares, will be available for inspection for at least 15 minutes prior to and during the AGM at the meeting venue.

12. Except as provided above, members who have general queries about the AGM should write to the Company Secretary, Edward Ratnam, 23 Chetwynd Park, Cannock, Staffordshire WS12 0NZ. You may not use any electronic address provided in either this notice of AGM or any related documents including the Form of Proxy.

As at 5.00 p.m. on the date immediately prior to this notice the Company’s issued share capital comprised 68,361,444, ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company is 68,361,444.