

WINDAR PHOTONICS PLC

**Report of the Directors and
Consolidated Financial Statements**
For the year ended 31 December 2019

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WINDAR PHOTONICS PLC

COMPANY INFORMATION

Directors	Johan Blach Petersen (Non-executive Chairman) Jørgen Korsgaard Jensen (Chief Executive Officer) Søren Høffer (Non-executive Director)
Company Secretary	Edward 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	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

WINDAR PHOTONICS PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

As outlined in the June trading update, 2019 was a difficult year for Windar and the Company generated revenue of €1.2 million, a reduction of 66% compared to 2018 (€3.5 million). This decline is mostly attributable to operations in the retro-fit market whilst, more positively, sales in the OEM market were relatively flat year-on-year. In particular, revenues were impacted in 2019 as a result of delays and postponements of projects into 2020, leading to an increased EBITDA loss of €2.8 million (2018: loss of €0.4 million).

However, the management team is confident that the order book, whilst delayed in delivery, will support the business going forward and there are encouraging signs that the OEM market is now starting to adopt integration of Lidar systems for control purposes, illustrated with the recently obtained OEM orders received in 2020 and ongoing test projects.

The retro-fit market operations were expected to develop through 2019 with the end user projects in the Asian region and the growth outside this region as a result of our distribution agreement with Vestas. Unfortunately, delays and postponements within the Asian region impacted our development and this has been compounded by a slower than anticipated build up in activity through the Vestas distribution agreement.

The Company continues to focus on becoming the world's leading LiDAR group for wind optimisation. Part of this strategy is a continued effort to optimise the product suite, whilst continuing our efforts to maintain cost leadership within the industry. In 2019 we were able to reduce our average production costs by around 15% and we expect to see a continued cost reduction in 2020.

In addition to the continued cost optimisation programme, the Company did enter two major development projects, partly funded by Eurostar, the Energy Technology Development and Demonstration Program. The two projects are focused on further enhancing our WindVision products for which OEMs form the target market. Alongside the involvement of Windar and the Danish Technical University, these projects include several of the major European and Asian wind turbine manufactures.

Whilst we continue to believe that our WindVision™ product offering to the OEM market will contribute substantial growth in the coming years, the Company has evaluated the product offerings to the retro-fit markets with the view of establishing a more streamlined future growth path within these markets. Based on these evaluations, the Company has decided to launch a new service offering – Lidar as a Service ("LaaS") – to the retro-fit markets generating more predictable recurring revenues rather than one-off sales. This will be a cloud-based pay per use service, sold by distributors such as larger wind turbine service companies. For this new business, Windar has developed a new self-contained Lidar unit connected to our central analysing control centre in Copenhagen. The LaaS business unit is expected to generate first revenue in 2020 and initial indications of interest provide the board with confidence that this could provide a step change in Windar's financial performance.

Financial Overview

Revenue during the year declined 66% to €1.2 million (2018: €3.5 million). Gross profit was down 47% (2018: 50%) to €0.5 million (2018: €1.8 million).

Net loss for the year before taxes increased to €3.3 million from €0.9 million, which included depreciation, amortisation and warrant costs of €0.3 million (2018: €0.3 million). Among other reasons, but also due to the Covid-19 situation, the Company has experienced problems collecting outstanding receivables in Asia and due to the ongoing uncertainties, the board has decided that it is prudent to make a 100% provision for these outstanding receivables at the end of 2019 of €0.8 million. However, the board considers this an absolutely worst-case outcome and do expect to recover at least some of these receivables.

The Group held cash balances at the end of the year of €0.8 million (2018: €1.7 million) excluding restricted cash balances of €Nil (2018: €0.5 million).

Trade receivables were €0.1 million (2018: €0.6 million), reflecting the impact of the abovementioned provision.

The Group has capitalised its continued cost of investment in technology during the year. This amounts to €0.5 million in 2019 (2018: €0.4 million) before grants of €0.1 million (2018: €0.1 million).

During the year, the Group raised €1.6 million before expenses through the issue of share capital.

Outlook

After many years of test projects, it has been encouraging that, for the first year ever in our history, in 2020 the OEM market segment has now overtaken orders and revenue streams from the retro-fit market in both units and value. However, following the disappointing results in 2019, the Company has proactively changed the distribution

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CHAIRMAN'S STATEMENT

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network set-up in Asia in 2020, putting agreements in place that we believe could bring significant additional growth to the future orders and revenue streams.

Despite these encouraging developments, 2020 has also seen continued disruptions and delivery postponements, primarily due to the ongoing Covid-19 situation and the Company has also had difficulties in collecting certain outstanding receivables in Asia. Due to various quarantine rules and traveling restrictions, our installation process for products in the field has been particularly affected. As a consequence, parts of order intakes initially planned for delivery in 2020 are now expected to be delivered in 2021. Despite these challenges we still expect to see revenue in 2020 marginally increase compared to the disappointing result in 2019.

The factors outlined above have meant that the Company's cash flow situation has been negatively impacted and cash management is a critical consideration for the management team and is under active review. The Company was able to continue the production and the assembly line in Copenhagen throughout most of the first half of 2020, notwithstanding the impact of Covid-19. This has resulted in the Company being well positioned to satisfy the revised order delivery schedules but has also resulted in the cash flow position being under stress until payment for these deliveries is received. However, management believe that there are a number of actions available to them in order to manage the cash position even considering the current Covid-19 situation.

The Board is actively considering the alternative financing arrangements available to the Company, both to address the short-term working capital issues as a result of the various factors outlined above and to provide the longer-term liquidity required to allow the Company to adjust to longer order and delivery cycles. To this end, I am pleased to confirm that the company has agreed for a Covid-19 loan of €0.4 million from, Vækstfonden, the Danish Growth Fund and the postponement of repayments totalling €0.15 million due in 2021 in respect of the existing Growth Fund loan until the second part of 2025.

Despite the various challenges the Company is facing, our R&D activities remain an important part of our business and the next generation of both the WindVision™ and WindEye™ products are expected to be released at the end of 2020. Besides many new advanced functionalities, an important feature is to drive the unit costs down by approximately 25% compared to current systems.

Overall, our business strategy for the remainder of 2020 and 2021 is based on additional and substantial cost reduction of our products, reduction of staff and the development of the LaaS business model, which we expect will pave the way for a substantially improved financial performance. We believe that the implementation of this strategy will position the Company to take advantage of opportunities arising in the future. In particular, the establishment of the LaaS recurring revenue model will provide further stability to the financial performance of the business going forward and position the Company to take advantage of opportunities available in the market.

Positively, the total order inflow in 2020 has been encouraging at €2.9 million contractually for delivery in 2020. However, due to the ongoing Covid-19 pandemic, the Board expects only to convert approximately €1.3 million of these orders into realised revenue in 2020 with the remaining €1.6 million of the order back-log to be carried into 2021. The Board believe that this order book and outstanding project and customer pipeline stands the Company in a good position moving forward.

In these challenging times I would like to take the opportunity to thank the management and staff for their efforts in 2019.

BY ORDER OF THE BOARD ON November 13, 2020

Johan Blach Petersen
Chairman

WINDAR PHOTONICS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2019.

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 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 which 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 2019, the board do 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. In January 2020 the company finally received the first larger scale order from this segment, which was a major positive break through within this market segment. However, the following Covid-19 situation has unfortunately severely delayed the planned installations in 2020.

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

During 2020 Windar's R&D focus will continue, focused on additional new features, turbine optimisation solutions and reducing manufacturing costs.

BREXIT

The Group has reviewed its operations as a result of the UK's referendum to leave the European Union ("Brexit"). It is not expected that this will have a material impact on the operations or financial results of the Group, given that its principal places of operation are in Denmark and China. The Group additionally reports in Euros and although it is recognised that depending on the specific exit arrangements that are agreed and how these are implemented, there could be an impact on exchange rates, this is not expected to impact significantly on the Group.

INTERNATIONAL TRADING SITUATION

The Group has reviewed its operations based on the current ongoing trade war between the United States of America (USA) and People's Republic of China (PRC). Based on the current situation it is not expected to have any material impact on the operations or financial results of the Group, The Groups products are predominantly manufactured within the European Union (EU) but manufacturing also depends on imports from other parts of the world including USA. A further escalation of the current trade tensions including potential increases of import/export tariffs or other restrictions could potentially have a material impact on the operations or financial results of the Group.

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STRATEGIC REPORT

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GROUP RESULTS AND DIVIDENDS

In the year ended 31 December 2019, Windar Photonics achieved revenue of €1.2 million (2018: €3.5 million) from sales of WindEYE™ and WindVISION™ sensors and related services which represent a revenue decrease of 66% in 2019. The total gross profit for the year amounted to €0.5 million (2018: €1.8 million) representing a decrease of 69%.

The Group loss for the year after taxation increased to €3.1 million (2018: Loss €0.8 million).

No dividends are payable for the year under review (2018: 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. Further, 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.

Other commercial factors

The Group is still in an early business cycle stage and now entering into the next higher growth cycle means that the Group will be exposed to a higher concentration of single customers and/or contracts. In 2019 this was illustrated by the fact that 3 customers accounted for 88% of the annual Group revenue (2018: 2 customers, 90%). 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 2020 still with satisfactory profit margins.

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:

WINDAR PHOTONICS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

- 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.

KEY PERFORMANCE INDICATORS

The Group considers the revenue, the EBITDA development, cash balances, levels of debt and invoice discounting utilisation, 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 €1.2 million (2018 €3.5 million) representing a decrease of 66% and with decreasing gross profit margins the overall Gross Profit showed a decrease of 69%. The recognised revenue level was substantially below initial targets set for 2019 due to delays in projects primarily in Asia combined with a slower than expected growth in the rest of the world under our distribution agreement with Vestas. In 2020 we have seen substantial disruption due to the Covid-19 situation, however we have, despite installation delays, seen a substantially increased order intake during the first nine months of 2020.

EBITDA loss, representing the loss from operations and adding back the depreciation and amortisation charges of €0.3 million (2018: €0.3 million), increased from €0.4 million in 2018 to €2.8 million in 2019.

At 31 December 2019 and excluding restricted cash balances of €Nil (2018: €0.5 million) the Group had cash balances of €0.8 million (2018: €1.7 million).

Due to the lower activity level and the cautious write-down of outstanding receivables trade receivables at the end of the year has decreased to €0.1 million (2018: €0.6 million).

The Group's loans at 31 December amount to €1.3 million (2018: €1.1 million) of which €1.3 million (2018: €5,240) is classified as current. In 2020 a repayment plan for the Growth Fund loan has been completed whereby the loan shall be repaid in equal quarterly instalments from July 1, 2021 till April 1, 2025. The interest charges on the Growth Fund Loan are falling due each quarter as from the third quarter of 2020. The Group owed €1,992 (2018: €10,735) against the multi-currency invoice discounting facility.

Employee numbers at 31 December 2019 were 25 (2018: 26).

BY ORDER OF THE BOARD ON November 13, 2020

Jorgen Korsgaard Jensen

Director

WINDAR PHOTONICS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the Financial Statements for the year ended 31 December 2019.

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
Simon Gregory Barrell (resigned 13th March 2020)
Johan Blach Petersen
Søren Høffer

DIRECTORS' INTERESTS

	As at 31 December 2019			As at 31 October 2020		
	Ordinary Shares	Per cent	Warrants	Ordinary Shares	Per cent	Warrants
Jørgen Korsgaard Jensen (held by Pasinika Limited. see below)	4,983,197	10.04%	-	4,983,197	10.02%	-
Simon Barrell (resigned 13 th March 2020)	47,222	0.10%	-	47,222	0.09%	-
Johan Petersen (held by J Blach Petersen BD A/S see below)	1,969,508	3.97%	-	1,969,508	3.96%	-
Søren Høffer	-	-	-	-	-	-

SIGNIFICANT SHAREHOLDERS

Shareholders who have notified the company of shareholdings in excess of 3% as at 31 December 2020 and 31 October 2020 are as follows:

	As at 31 December 2019		As at 31 October 2020	
	Number of ordinary shares	Percentage	Number of ordinary shares	Percentage
SEED Capital Denmark II K/S	7,063,674	14.23%	7,063,674	14.20%
Pasinika Limited	4,983,197	10.04%	4,983,197	10.02%
PreSeed Ventures A/S	4,175,333	8.41%	4,175,333	8.39%
M.M. 26 Holding A/S	4,033,973	8.13%	4,033,973	8.11%
Danmarks Tekniske Universitet	2,352,990	4.74%	2,352,990	4.73%
Milton Holding Horsens A/S	2,119,400	4.27%	2,119,400	4.26%
O-Net Technologies (Group) Limited	2,000,000	4.03%	2,000,000	4.02%
Artemis Investment Management LLP	1,750,000	3.53%	1,750,000	3.52%
J Blach Petersen BD A/S	1,969,508	3.97%	1,969,508	3.96%
Investeringsselskabet af 11 august 2005	1,659,101	3.34%	1,659,101	3.33%

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DIRECTORS' REPORT

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DIRECTORS' BIOGRAPHIES

Johan Blach Petersen (Non-Executive Chairman), aged 69

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 57

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.

Simon Barrell (Senior Independent Non-Executive Director), aged 61

Simon Barrell qualified as a chartered accountant with Arthur Young in 1983. He then joined an accountancy practice in Nairobi, Kenya as a Senior Manager. On his return to the UK in 1987, he joined Binder Hamlyn. In 1994 Simon was appointed finance director of Napier Brown & Company Limited and in 2003 as finance director of Napier Brown Foods plc. Since leaving Napier Brown Foods plc in 2005 he has acted in non-executive director and non-executive chairman capacities for a number of public companies and continues to act as an adviser to listed and non-listed companies. Simon Barrell resigned on 13 March 2020.

Søren Høffer (Non-Executive Director), aged 47

Søren Høffer was trained as a lawyer at the Danish law firm Kromann Reumert. In 2002 Søren joined the world leading designer and manufacturer of blades for wind turbines, LM Wind Power. At LM Wind Power Søren served as General Counsel, VP Corporate staff and since 2013 as VP of Sales and Marketing. As of 1 March, 2018, Søren Joined as CSO for a major OEM turbine manufacture, and thus continues to build on his 16+ years' experience in the wind industry. Søren holds a bachelor's degree in Business and Law and a master's degree in law from Aarhus University, Denmark.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019				
<i>Executive Directors</i>				
Jørgen Korsgaard Jensen	-	-	-	-
<i>Non-executive Directors</i>				
Simon Barrell (resigned 13 th March 2020)	-	11,736	-	11,736
Johan Blach Petersen	-	17,600	-	17,600
Søren Høffer	-	11,112	-	11,112
Total	-	40,448	-	40,448
Year ended 31 December 2018				
<i>Executive Directors</i>				
Jørgen Korsgaard Jensen	-	-	-	-
<i>Non-executive Directors</i>				
Simon Barrell (resigned 13 th March 2020)	-	11,224	-	11,224
Johan Blach Petersen	-	13,423	-	13,423
Søren Høffer	-	11,224	-	11,224
Total	-	35,872	-	35,872

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.

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DIRECTORS' REPORT

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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 and utilises export credit facilities the Group has reviewed trade receivables on an individual basis. The Group has made a provision against overdue trade receivables and restricted cash holdings of €831,569 (2018: €47,541). 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.

CREDITORS' PAYMENT POLICY

It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individual negotiated contracts) and for payment to be made in accordance with these terms provided the supplier has complied with its obligations. The average number of day's credit taken by the Group as at 31 December 2019 was 61 days (2018: 55 days).

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 €1,016,871 (2018: €881,892) on R&D of which €528,277 (2018: €415,456) has been capitalised as an intangible asset as shown in note 17 to the financial statements.

The Group has received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €81,216 (2018: €108,779) in respect of the capitalised research and development. At the end of the year a new EUDP project was granted in the amount of €508,722 which can be claimed in the coming three years (2018: €Nil).

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 with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 European Union, 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.

A resolution to reappoint Jeffreys Henry LLP as auditors to the Group and Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD ON November 13 2020

Jorgen Korsgaard Jensen

Director

WINDAR PHOTONICS PLC

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 two 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. Nine scheduled board meetings were held during the year, as well as two audit committee meetings, one remuneration committee meeting and one nomination committee meeting. Attendance by board members is shown below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	9	2	1	1
Executive board members				
Jørgen Korsgaard Jensen	9	N/A	N/A	N/A
Non-executive board members				
Simon Barrell (resigned 13 th March 2020)	8	2	1	1
Johan Blach Petersen	8	2	1	1
Søren Høffer	8	2	1	1

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

The Audit Committee comprises Johan Blach Petersen, Søren Høffer and Simon Barrell and is chaired by Simon Barrell. Simon Barrell resigned 13th March 2020, hereafter the Audit Committee comprises of Johan Blach Petersen and Søren Høffer 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

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FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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, Søren Høffer and Simon Barrell and is chaired by Johan Blach Petersen. Simon Barrell resigned 13th March 2020, hereafter the Nomination Committee comprises of Johan Blach Petersen and Søren Høffer 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, Søren Høffer and Simon Barrell and is chaired by Johan Blach Petersen. Simon Barrell resigned 13th March 2020, hereafter the Remuneration Committee comprises of Johan Blach Petersen and Søren Høffer 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.

195,000 new share options or warrants were granted in 2019. The options were issued at a strike price of £1 a third vesting on each anniversary for the first three years. The options have a 10-year life. The price of the share at the time of issue was £0.24. 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%.

PERFORMANCE EVALUATION

There is currently no formal performance evaluation of the board, its committees and its individual directors.

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

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CORPORATE GOVERNANCE STATEMENT

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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 2019 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;
- monthly 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. However, uncertainties due to the general Covid-19 situation are present and Management refer to note 3 to the financial statements where risks are described in further details.

WINDAR PHOTONICS PLC

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Windar Photonics – QCA Code

QCA Code Principle	Application (as set out by QCA)	What we do and why
1. Establish a strategy and business model which promote long-term value for shareholders	<p>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 Group 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 Group from unnecessary risk and securing its long-term future.</p>	<p>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:</p> <ul style="list-style-type: none"> • Competitiveness • Innovative technology • Cost-effective operation of the Group • Power enhancement and cost reduction for the end user. <p>The OEM market is serviced directly by Windar Photonics, whereas the retrofit market is serviced through an external global dealership that supplies Windar Photonics' products to local Independent Power Producers (IPPs) and wind farm operators. The Group's strategy and key challenges are detailed in the Strategic Report and the Directors' Report and Consolidated Financial Statements.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p> <p>The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The Board is committed to clearly navigating the Group towards substantial growth and to ensuring that the shareholder's expectations are met in this regard.</p> <p>Windar Photonics encourages two-way communication with both its institutional and private investors. Windar Photonics endeavors to respond swiftly to all queries received from its investors. The Group'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 Group also seeks to manage shareholder expectations through its regulatory disclosures.</p> <p>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.</p> <p>Where voting decisions are not in line with the Group's expectations, the Board will engage with those shareholders to understand and address any issues.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>Long-term success relies upon good relations with a range of different stakeholder Groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the Group's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the Group's impact on society, the communities</p>	<p>Windar Photonics is committed to sustainability and progress in all aspects of the business – the environment, customers, suppliers and the communities it operates in.</p> <p>This is evidenced and underpinned by the Group's vision and values:</p> <ol style="list-style-type: none"> 1. Customers - Grow profitable sales 2. Quality – Operational excellence 3. Environment – Community 4. Innovation - Excellent product design 5. Team Work – Engage our people <p>Sustainability is essentially the foundation of Windar Photonics, as the Group's overall business is to provide the market a commercially viable mean of enhancing the production and</p>

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QCA Code Principle	Application (as set out by QCA)	What we do and why
	<p>within which it operates or the environment have the potential to affect the Group's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Group's strategy and business model.</p> <p>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.</p>	<p>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.</p> <p>Windar Photonics is a SME based in the United Kingdom and Denmark, and the Group conforms to the local laws and standards for social responsibilities in relation to the Group'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.</p> <p>Windar Photonics encourages feedback from its customers through trade account managers and direct engagement with individual customers via customer service teams and social media communication, such as LinkedIn.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The board needs to ensure that the Group'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 Group's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the Group is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>A detailed analysis of the risks that face the Group are included in the Directors' Report which identifies the risks and measures taken to minimise the identified risks, along with an assessment of any changes to the potential risks during the previous reporting period. In 2019 no changes to risks were registered in the Group.</p> <p>The Group 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 Group.</p> <p>The board is responsible for evaluating potential risks and meets regularly to identify and review risks in relation to the ongoing trading, and the Group'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.</p>

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	Application (as set out by QCA)	What we do and why
5. Maintain the board as a well-functioning, balanced team led by the chair	<p>The board members have a collective responsibility and legal obligation to promote the interests of the Group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to,</p>	<p>The Directors on the Board of Windar Photonics have a varied set of skills and substantial experience within their respective fields. Their complementary expertise is important in relation to directing the Group and making informed decisions for encouraging the growth of the Group.</p>

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FOR THE YEAR ENDED 31 DECEMBER 2019

QCA Code Principle	Application (as set out by QCA)	What we do and why
	<p>corporate governance lies with the chair of the board.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>The Group is controlled by the Board of Directors. Johan Blach Petersen, the Non-executive Chairman, is responsible for the running of the Board, and Jørgen Korsgaard, the Group's Chief Executive Officer, has the executive responsibility for running the Group's business and implementing the Group's strategy.</p> <p>The Board is comprised of one Executive Director and two Non-Executive Directors. The Board considers that all Non-executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service:</p> <ul style="list-style-type: none"> • Johan Blach Petersen (Non-Executive Chairman) • Jørgen Korsgaard Jensen (Chief Executive Officer and Founder) • Simon Barrell (Senior Independent Non-Executive Director) (Simon Barrell resigned 13th March 2020) • Søren Høffer (Non-Executive Director) <p>Detailed profiles for the Directors on the Board are available in the Directors' Report.</p> <p>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.</p> <p>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 Group's website and can be accessed on the "Corporate governance" page of the website.</p>
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>The current board is comprised of directors with expertise within their respective fields, thus providing the Group the benefits of a broad spectrum of knowledge and experience:</p> <p>Johan Blach Petersen (Non-Executive Chairman) Extensive experience with start-up companies and business development.</p> <p>Jørgen Korsgaard Jensen (Chief Executive Officer and Founder) Highly skilled innovator with in an in-depth</p>

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

QCA Code Principle	Application (as set out by QCA)	What we do and why
		<p>understanding of international business and developing new technological solutions for the market.</p> <p>Simon Barrell (Senior Independent Non-Executive Director) (resigned 13th March 2020) Expert knowledge of financial reporting and accounting in relation to international businesses</p> <p>Søren Høffer (Non-Executive Director) Comprehensive knowledge about the wind energy industry, business law, and contracting.</p> <p>Further the Company Secretary supports the board in relation to general Corporate matters related to the parent company of the Group.</p>
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>All directors are subject to re-election by the shareholders by rotation.</p> <p>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.</p>
8. Promote a corporate culture that is based on ethical values and behaviours	<p>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.</p> <p>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 Group.</p> <p>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</p>	<p>Windar Photonics is a fairly small and young Group, and the corporate ethical values have not yet been formally described. A description of the ethical values that underpin the Group will be formulated and made public during 2021.</p> <p>Nonetheless, the Group is operated on a sound foundation of ethical principles:</p> <ul style="list-style-type: none"> • A high degree of transparency and non-hierarchical communication between the various positions in the Group • 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 Group. <p>Furthermore, the Group has provided training and information concerning anti-bribery and work-place safety to its employees.</p> <p>The Group is also committed to providing a safe and secure environment for its employees, with its policies and</p>

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

QCA Code Principle	Application (as set out by QCA)	What we do and why
	<p>behaviours across all levels of the Group.</p> <p>The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Group.</p>	procedures enshrined in its health and safety guidance to employees.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>The Group should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Group.</p>	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 " <i>Corporate governance</i> ".

BUILD TRUST

QCA Code Principle	Application (as set out by QCA)	What we do and why
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<p>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 Group.</p> <p>In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:</p> <ul style="list-style-type: none"> • the communication of shareholders' views to the board; and • the shareholders' understanding of the unique circumstances and constraints faced by the Group. <p>It should be clear where these communication practices are described (annual report or website).</p>	<p>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 Group'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.</p> <p>The audit committee and remuneration committee sections are included in the corporate governance section above.</p> <p>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 Group's shareholders in an informal context immediately following the AGM.</p> <p>The Group has not historically announced the detailed results of shareholder voting to the market. It intends to do so from now on.</p>

WINDAR PHOTONICS PLC

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the 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

We draw your attention to the primary statements within these financial statements, which indicates that the group incurred a loss of €3.1m and had net cash outflows from operating activities of €1.7m for the year ended 31 December 2019.

We further draw your attention to note 3 in the financial statements, which highlights that management have made significant assumptions in preparing the financial statements on a going concern basis. The matters explained in Note 3 relating to the uncertainty around the timing of revenue receipts and the impact thereof on the Group and Parent Company's ability to fund its operations 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. We have highlighted going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

The COVID-19 outbreak has had an impact on the group's ability to win contracts or the Group has experienced delays in the start of assignments already won, 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.

We have performed the following audit procedures:

- obtained management's forecasts and cash flow analysis, and their going concern assessment;
- assessed 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

WINDAR PHOTONICS PLC

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

- 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, due to the inherent uncertainty, recent pattern of delays that a sufficient amount of income will materialise within the timing expected within the group's cashflow forecasts. We note that the Group has historically been loss making given the level of research and development activity. Management have indicated other measures that can be implemented if there are further delays in receiving the amounts due which centre around cost deferral, scaling back activities and further cost cutting exercises.

Post year end, the Board have actively sought alternative financing arrangements, both to address the potential short-term working capital issues and to provide the longer-term liquidity required to allow the Company to adjust to longer order and delivery cycles. We note that the Company has been approved for a Covid-19 loan from the Danish Growth Fund for the amount of €0.4 million (see terms and conditions of the loan at note 31) and postponements of repayments on the existing Growth Fund loan in 2021 of €0.15 million where repayments will now commence from January 2022. As stated in Note 3, the Group are in the process of undertaking a share placing of £0.4m (before expenses) which is subject to shareholder approval and certain events or conditions.

Our opinion is not modified in respect of this matter.

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 – see page 21
- Carrying value of intangible assets
- Carrying value of investment in subsidiaries and inter-company receivable (parent company only)

As there is a material uncertainty for the going concern assumption, 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) 705.

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.	We have performed the following audit procedures:
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	<ul style="list-style-type: none">• 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;

WINDAR PHOTONICS PLC

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 recognized and appropriately considered for any impairment at the year end.

Furthermore, should impairment indicators be identified, there is a level of judgement exercised by 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.

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

- 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 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.

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;

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 undertaking, Windar Photonics A/S, 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.

- 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	€70,000 (2018: €90,000).
How we determined it	Based on an average of 3% of gross assets
Rationale for benchmark applied	We believe that gross assets are 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 still considered to be a start-up.

We agreed with the Directors that we would report to them misstatements identified during our audit above €3,500 (2018: €3,600) 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	€63,000 (2018: €81,000).
How we determined it	Based on of 3% of gross assets, restricted by group materiality

WINDAR PHOTONICS PLC

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Rationale for benchmark applied	We believe that gross assets are the primary measure used by the shareholders in assessing the performance of the Company. This benchmark is considered the most appropriate because the parent company is not a trading entity and is a holding company. As Company materiality exceeded group materiality this was restricted and was set at 90% of group materiality.
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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 three companies made up of the parent 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 was 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 as the work was carried out during the Covid-19 pandemic.

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.

WINDAR PHOTONICS PLC

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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
November 13 2020

WINDAR PHOTONICS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 €	Year ended 31 December 2018 €
	Note		
Revenue from contracts with customers	8	1,177,897	3,499,867
Cost of goods sold		(629,560)	(1,744,571)
Gross profit		548,337	1,755,296
Administrative expenses		(3,680,990)	(2,391,798)
Impairment loss		-	(39,182)
Other operating income		32,145	32,201
Loss from operations	9	(3,100,508)	(643,483)
Finance expenses	12	(190,889)	(269,925)
Loss before taxation		(3,291,397)	(913,408)
Taxation	13	212,488	120,436
Loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		(3,078,909)	(792,972)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange gains/(losses) arising on translation of foreign operations		3,085	(2,125)
Total comprehensive loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		(3,075,824)	(795,097)
Loss per share attributable to the ordinary equity holders of Windar Photonics Plc			
Basic and diluted, cents per share	14	(6.7)	(1.8)

All activities relate to continuing operations.

The notes on pages 34 to 58 form part of these financial statements.

WINDAR PHOTONICS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		31 December 2019 €	31 December 2018 €
	Note		
Assets			
Non-current assets			
Intangible assets	17	1,192,607	982,888
Property, plant & equipment	18	61,800	110,788
Deposits		24,980	46,285
Total non-current assets		1,279,387	1,139,961
Current assets			
Inventory	19	1,019,564	726,999
Trade receivables	20	111,703	638,138
Other receivables	20	84,305	166,264
Tax credit receivables	20	212,428	120,209
Prepayments		44,857	83,763
Restricted cash and cash equivalents	21	-	518,138
Cash and cash equivalents	21	763,024	1,721,803
Total current assets		2,235,881	3,975,314
Total assets		3,515,268	5,115,275
Equity			
Share capital	25	608,689	560,859
Share premium	26	13,692,119	12,558,434
Merger reserve	26	2,910,866	2,910,866
Foreign currency reserve	26	(18,630)	(21,715)
Retained earnings	26	(16,338,796)	(13,287,757)
Total equity		854,248	2,720,687
Non-current liabilities			
Warranty provisions	28	61,170	78,422
Loans	24	5,174	1,135,744
Total non-current liabilities		66,344	1,214,166
Current liabilities			
Trade payables	23	1,045,792	492,822
Other payables and accruals	23	211,879	588,456
Contract liabilities	23	69,954	83,169
Invoice discounting	23	1,992	10,735
Loans	23	1,265,059	5,240
Total current liabilities		2,594,676	1,180,422
Total liabilities		2,661,020	2,394,588
Total equity and liabilities		3,515,268	5,115,275

The financial statements were approved and authorised for issue by the Board of Directors on November 13 2020 and were signed below on its behalf by:

Jørgen Korsgaard Jensen, Director

The notes on pages 34 to 58 form part of these financial statements.
Company number: 09024532

WINDAR PHOTONICS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		31 December 2019 €	31 December 2018 €
Assets			
Non-current assets			
Investments in subsidiaries	16	519,897	10,733,683
Total non-current assets		519,897	10,733,683
Current assets			
Other receivables	20	11,790	12,703
Prepayments		26,599	23,857
Intragroup receivables	20	43,088	974,624
Cash and cash equivalents	21	521,713	221,540
Total current assets		603,190	1,232,724
Total assets		1,123,087	11,966,407
Equity			
Share capital	25	608,689	560,859
Share premium	26	13,692,119	12,558,434
Merger reserve	26	658,279	658,279
Foreign currency reserve	26	(7,746)	(7,746)
Retained earnings	26	(14,046,739)	(1,891,110)
Total equity		904,602	11,878,716
Current liabilities			
Trade payables	23	198,485	67,691
Other payables and accruals	23	20,000	20,000
Total liabilities		218,485	87,691
Total equity and liabilities		1,123,087	11,966,407

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 €12,183,497 (2018 - loss €284,905).

The financial statements were approved and authorised for issue by the Board of Directors on November 13 2020 and were signed below on its behalf by:

Jørgen Korsgaard Jensen, Director

The notes on pages 34 to 58 form part of these financial statements.
Company number: 09024532

WINDAR PHOTONICS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 €	Year ended 31 December 2018 €
Loss for the period before taxation		(3,291,397)	(913,408)
Adjustments for:			
Finance expenses	12	190,889	269,925
Amortisation	17	267,317	189,557
Depreciation	18	52,411	64,078
Received tax credit		120,186	66,095
Foreign exchange losses		3,085	(84,759)
Share option and warrant costs		27,868	26,443
		(2,629,641)	(382,069)
Movements in working capital			
Changes in inventory		(292,565)	12,611
Changes in receivables		144,164	(285,731)
Changes in prepayments		38,905	-
Changes in deposits		21,305	-
Changes in trade payables		552,426	(552,147)
Changes in deferred revenue		(13,214)	76,453
Changes in warranty provisions	28	(17,252)	6,218
Changes in other payables and provisions		447,972	263,442
Cash flow from operations		(1,747,900)	(861,223)
Investing activities			
Payments for intangible assets	17	(528,278)	(415,456)
Payments for tangible assets	18	(3,427)	(68,125)
Grants received	17	50,824	108,779
Cash flow from investing activities		(480,881)	(374,802)
Financing activities			
Proceeds from issue of share capital		1,315,342	2,500,877
Costs associated with the issue of share capital		(133,827)	(193,199)
Reduction from invoice discounting		(8,743)	(110,474)
(Decrease)/Increase in restricted cash balances		158,138	(283,446)
Repayment of loans		(5,240)	(4,579)
Interest paid		(55,878)	(66,537)
Cash flow from financing activities		1,269,792	1,842,642
Net increase/(decrease) in cash and cash equivalents		(958,989)	606,617
Exchange differences		210	(1,317)
Cash and cash equivalents at the beginning of the year		1,721,803	1,116,503
Cash and cash equivalents at the end of the year	21	763,024	1,721,803

The notes on pages 34 to 58 form part of these financial statements.

WINDAR PHOTONICS PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 €	Year ended 31 December 2018 €
Loss for the period before taxation		(12,183,497)	(284,906)
Adjustments for:			
Finance Income		(30,953)	(18,065)
Write down of investment in subsidiary		11,887,213	-
Share option and warrant costs		27,868	26,443
		(299,369)	(276,528)
<i>Movements in working capital</i>			
Changes in receivables		913	(523)
Changes in prepayments		(2,743)	647
Changes in loans to subsidiary entity		962,489	(680,259)
Changes in trade payables		130,795	28,970
Changes in other payables and provisions		-	-
Cash flow from operations		792,085	(927,693)
<i>Investing activities</i>			
Additional investment in subsidiary undertaking	16	(1,673,427)	(1,339,172)
Cash flow from investing activities		(1,673,427)	(1,339,172)
<i>Financing activities</i>			
Proceeds from issue of share capital		1,315,342	2,500,877
Costs associated with the issue of share capital		(133,827)	(193,199)
Cash flow from financing activities		1,181,515	2,307,678
Net decrease in cash and cash equivalents		300,173	40,813
Cash and cash equivalents at the beginning of the year		221,540	180,727
Cash and cash equivalents at the end of the year	21	521,713	221,540

The notes on pages 34 to 58 form part of these financial statements.

WINDAR PHOTONICS PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share Premium	Merger reserve	Foreign currency reserve	Accumulated Losses	Total
	€	€	€	€	€	€
Group						
At 1 January 2018	530,543	10,281,073	2,910,866	(19,590)	(12,521,228)	1,181,664
New shares issued	30,316	2,470,560	-	-	-	2,500,876
Costs associated with capital raise	-	(193,199)	-	-	-	(193,199)
Share option and warrant costs	-	-	-	-	26,443	26,443
Transaction with owners	30,316	2,277,361	-	-	26,443	2,334,120
Loss for the year	-	-	-	-	(792,972)	(792,972)
Other comprehensive gains	-	-	-	(2,125)	-	(2,125)
Total comprehensive loss	-	-	-	(2,125)	(792,972)	(795,097)
At 31 December 2018	560,859	12,558,434	2,910,866	(21,715)	(13,287,757)	2,720,687
New shares issued	47,830	1,267,512	-	-	-	1,315,342
Costs associated with capital raise	-	(133,827)	-	-	-	(133,827)
Share option and warrant costs	-	-	-	-	27,870	27,870
Transaction with owners	47,830	1,133,685	-	-	27,870	1,209,385
Loss for the year	-	-	-	-	(3,078,909)	(3,078,909)
Other comprehensive gains/(loss)	-	-	-	3,085	-	3,085
Total comprehensive loss	-	-	-	3,085	(3,078,909)	(3,075,824)
At 31 December 2019	608,689	13,692,119	2,910,866	(18,630)	(16,338,796)	854,248
Company						
At 1 January 2018	530,543	10,281,073	658,279	(7,746)	(1,632,648)	9,829,501
New shares issued	30,316	2,470,560	-	-	-	2,500,876
Costs associated with capital raise	-	(193,199)	-	-	-	(193,199)
Share option and warrant costs	-	-	-	-	26,443	26,443
Transaction with owners	30,316	2,277,361	-	-	26,443	2,334,120
Loss for the year	-	-	-	-	(284,905)	(284,905)
Total comprehensive loss	-	-	-	-	(284,905)	(284,905)
At 31 December 2018	560,859	12,558,434	658,279	(7,746)	(1,891,110)	11,878,716
New shares issued	47,830	1,267,512	-	-	-	1,315,342
Costs associated with capital raise	-	(133,827)	-	-	-	(133,827)
Share option and warrant costs	-	-	-	-	27,868	27,868
Transaction with owners	47,830	1,133,685	-	-	27,868	1,209,383
Loss for the year	-	-	-	-	(12,183,497)	(12,183,497)

WINDAR PHOTONICS PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Total comprehensive loss	-	-	-	-	(12,183,497)	(12,183,497)
At 31 December 2019	608,689	13,692,119	658,279	(7,746)	(14,046,739)	904,602

The notes on pages 34 to 58 form part of these financial statements.

WINDAR PHOTONICS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2019 that would be expected to have a material impact on the Group.

The new IFRSs adopted during the year areas as follows:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term interest in Associates and Joint Ventures
Amendments to IFRS 15	Clarification to IFRS 15
Annual Improvements to IFRSs 2015 – 2017 Cycle	Amendments to IFRS 3
	Amendments to IFRS 11
	Amendments to IAS 12
	Amendments to IAS 23

The adoption of the new and amendments to IFRSs did not have any significant impact on the financial statements of the Group and the Company. Although IFRS 16 has not impacted the financial statements, the Group does have leases, and the effect of IFRS 16 was considered by the Directors:

Leases – IFRS 16

The Group applies, for the first time, IFRS 16 Leases which does not require restatement of previous financial statements.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of twelve months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Following an assessment of the leases that are in existence within the Group there have been no IFRS 16 adjustments made to the financial statements as the leases held meet the exemption criteria as set out in IFRS 16 as they are either deemed to be short-term or low-value. The criteria is set out below:

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, 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.

Standards, interpretations and amendments to published standards that are not yet effective.

WINDAR PHOTONICS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The following standards, amendments and interpretations applicable to the Group are in issue but are not yet effective and have not been early adopted in these financial statements. They may result in consequential changes to the accounting policies and other note disclosures. We do not expect the impact of such changes on the financial statements to be material. These are outlined in the table below:

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards		1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of Material	1 January 2020
IFRS 16	Covid-19-Related Rent Concessions	1 June 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1	1 January 2022
	Amendments to IFRS 9	
	Amendments to IFRS 16	
	Amendments to IAS 41	
Amendments to IFRS 3	Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Group.

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. The directors are confident that based on the Group's forecasts and projections, taking account of possible changes in trading performance, the €0.4m Covid loan approved post year end and the post year end share placing which is in progress. it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

However, Management has noticed non-payments of customer receivables in 2020 primarily from customers in the Asian region due to what Management expect also to be related to the Covid-19 situation and project delays at our customer's end-user level. Combined with the general consequences described above such eventual non-payments illustrates the current uncertainties when projecting a 12 months outlook.

The current cash flow estimate for the coming 12 months does include the following important assumptions:

- No cash in-flow from any of receivables written off in the 2019 accounts
- Only revenue and payments from customers based upon confirmed written contracts and agreements
- Unchanged operation cost base

However, Management highlight the risk that the non-payment by customers can have a severely negative impact both long term but also short term.

In the event, for the reasons stated above the timing of the forecast revenue and customer payments were not to be achieved in the periods expected, the Group may need to seek additional funding to cover those periods where there might be a potential shortfall.

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Management has to highlight the very high levels of uncertainties given the various circumstances, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Post year end, Management has actively sought alternative financing arrangements due primarily to the Covid pandemic situation, both to address the potential short-term working capital issues and to provide the longer-term liquidity required to allow the Company to adjust to longer order and delivery cycles. Consequently, the Company has been approved for a Covid-19 loan from the Danish Growth Fund for the amount of €0.4 million (refer to note 31 for terms and conditions) and postponements of repayments on the existing Growth Fund loan in 2021 of €0.15 million where repayments will now commence from January 2022. Management has further initiated a process of undertaking a share placing of £0.4m (before expenses) which is subject to shareholder approval and certain events or conditions.

4. Accounting policies

Basis of preparation

The consolidated financial statements comprise the consolidated financial information of the Group as at 31 December 2019 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 European Union ("adopted IFRSs").

The acquisition of the subsidiary 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.

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.

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.

WINDAR PHOTONICS PLC

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4. Accounting policies (continued)

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 and Danish Kroner DKK for Windar Photonics A/S. The Financial Statements have been presented in Euro's which represent the dominant economic environment in which the Group operates.

Revenue

Revenue is recognised under IFRS 15. Revenue arises from the sale of the WindEYE™, and WindVISION™ 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 has 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.

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 2019:

	Year end 2018	Average 2018	Average 2019	Year end 2019
Euro/DKK	7.4673	7.4532	7.4661	7.4697

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.

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.

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4. Accounting policies (continued)
Financial assets and liabilities

Financial assets

The Group classifies all its financial assets 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
- Invoice discounting and 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.

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

4. Accounting policies (continued)

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
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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 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 recognised.

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 receipt 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.

WINDAR PHOTONICS PLC

NOTES TO THE FINANCIAL STATEMENTS

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4. **Accounting policies (*continued*)**

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 plus delivery costs. 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. No new warrants or options have been issued in 2019.

Employee benefits

Employees in the Group typically have varying holiday benefits. Based on the prior year employment in the Group employees are entitled to paid holidays in the following year. At the end of each reporting period the Group accrue these holiday liabilities.

Restricted Cash Balances

Restricted cash balances are not recognised as cash and cash equivalent for cash flow purposes.

Operating Leases

As explained in note 27, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change are described in note 27.

Until 31 December 2018 the determination of whether an arrangement was a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly specified in an arrangement.

Rentals payable under operating leases were charged to expense on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases were recognised as an expense in the period in which they were incurred.

In the event that lease incentives were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

WINDAR PHOTONICS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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.

Under the merger method, the income, expense, assets and liabilities of Windar Photonics A/S 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. 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 €1,192,607 and a change in the estimate of useful life from 5 to 3 years would reduce this amount by €788,132 and the amortisation charged to the Statement of Comprehensive Income for the year would have increased by €77,517. 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 €30,585 and the Provision at the end of the year would have increased by €30,596. More details including the warranty provision at the end of the period €61,170 are included in note 28.

6. Critical accounting estimates and judgements (continued)

(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.

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, the invoice discounting facility 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 the Group seeks to either

- receive prepayments
- obtain full credit risk insurance on the risk amount
- sell the outstanding amount/invoice to external parties

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

WINDAR PHOTONICS PLC

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7. Financial instruments - Risk Management (continued)

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only 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 on June 29, 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 in equal quarterly instalments over the period from July 1, 2021 until April 1, 2025.

An invoice discounting facility is available at a rate of 4.5 per cent above the inter banking interest rate in DKK, EUR and USD. As per 31 December 2019 the total debts under the facility amounted to €1,992 and the exposure to any change in interest rate therefore minimal.

	Currency amount	Euro amount	Interest	Change in interest rate	Euro effect
DKK	12,546	1,680	4.5%	+2.0%	34
EUR	186	186	4.5%	+2.0%	4
USD	142	126	7.0%	+2.0%	3
		1,992			41

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.

Excess foreign currency amounts generated from trading will be converted into € to avoid future currency risk. Capital raised is also be converted into €.

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).

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).

Sensitivity analysis

All intercompany movements have been excluded from this sensitivity analysis. The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rates of the net assets of the subsidiaries, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The Group's exposure to foreign currency changes for all other currencies is not material.

The sensitivity analysis assumes that there is no or little risk in respect of the € and the Danish Kroner as the Danish Kroner is 'linked' to the €. The movement in the exchange rate in the last 24 months being 0.44% (2018: 0.44%). The sensitivity related to the RMB is estimated at +/-10%. The movement in the RMB exchange rate in the last 24 months being 0.19% (2018: 7.6%).

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

7. Financial instruments - Risk Management (continued)

	€		DKK		RMB		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	€	€	€	€	€	€	€	€
Net foreign currency financial assets/(liabilities)								
€	(643,452)	(170,409)	-	-	-	-	(643,452)	(170,409)
DKK			(562,982)	(2,522,485)	-	-	(562,982)	(2,522,485)
RMB	-	-	-	-	50,354	27,247	50,354	27,247
Total net exposure	(643,452)	170,409	(562,982)	(2,522,485)	50,354	27,247	(1,156,080)	(2,324,829)

Year		Change in rate	Effect on profit before tax	Effect on other comprehensive income
			€	€
2019	RMB	+10%	(5,035)	(5,035)
	RMB	-10%	5,035	5,035
2018	RMB	+10%	(2,725)	(2,725)
	RMB	-10%	2,725	2,725

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 Group uses the invoice discounting facility to assist managing the cash flows of the Group.

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
	€	€	€	€	€
<i>At 31 December 2019</i>					
Trade payables	1,045,795	-	-	-	-
Invoice discounting	1,992	-	-	-	-
Other payables and accruals	-	211,879	-	-	-
Loans	1,359	1,263,700	5,174	-	-
Total financial liabilities	1,049,146	1,475,579	5,174	-	-

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At 31 December 2018

Trade payables	492,822	-	-	-	-
Invoice discounting	10,735	-	-	-	-
Other payables and accruals	-	588,456	-	-	-
Loans	1,281	3,959	1,130,476	5,268	-
Total financial liabilities	504,838	592,415	1,130,476	5,268	-

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 amount 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 2019 €	Year ended 31 December 2018 €
Sale of product and installation	1,129,255	3,492,775
Rendering of services	48,642	7,092
Revenue	1,177,897	3,499,867

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Year ended 31 December 2019 €	Year ended 31 December 2018 €
WindEye™	1,070,231	3,272,525
WindVision™	59,018	220,250
Rendering of services	48,648	7,092
Revenue	1,177,897	3,499,867

Deferred revenue of €69,954 (2018: €83,169) relates to performance obligation under contracts that have not yet been completed and are expected to be met in 2020.

WINDAR PHOTONICS PLC

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9. Loss from operations

Loss from operations is stated after:

	Year ended 31 December 2019 €	Year ended 31 December 2018 €
Staff costs (note 11)	1,579,160	1,337,421
Expensed research and development costs	488,593	387,540
Amortisation ¹	267,317	189,557
Depreciation	52,411	64,078
Operating lease payments	131,989	143,009
Other Operating Income	(32,145)	(32,201)
Remuneration received by the Group's auditor or associates of the Group's auditor:		
- Audit of parent company	5,460	6,685
- Audit of consolidated financial statements	19,185	26,738
- Audit of overseas subsidiaries	21,430	16,154
- Taxation compliance services	7,357	641
-Adjustment to prior year audit of consolidated financial statements	42,899	17,354

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

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 2019, three customers accounted for more than 10 per cent of the revenue each (2018: two customers). The total amount of revenue from these customers amounted to €1,028,380, 88 per cent of the total revenue (2018: €3,145,168 or 90 per cent of the revenue)

Revenue by geographical location of customer:

	Year ended 31 December 2019 €	Year ended 31 December 2018 €
Europe	256,501	91,891
Americas	-	85,437
China	919,658	3,293,434
Asia (excluding China)	1,738	29,105
Revenue	1,177,897	3,499,867

WINDAR PHOTONICS PLC

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10. Segment information (continued)

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 2019	As at 31 December 2018
	€	€
Denmark	1,270,753	1,170,617
	<u>1,270,753</u>	<u>1,170,617</u>

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

11. Directors and employees

	2019 Average	Year end	2018 Average	Year end
Number of employees excluding directors				
Sales and Services	8	8	9	8
Research and development	11	11	11	12
Production	3	3	3	4
Administration	3	3	2	2
	<u>25</u>	<u>25</u>	<u>25</u>	<u>26</u>

Group	2019	2018
	€	€
Staff costs		
Wages and salaries	1,465,035	1,250,642
Social security costs	<u>86,257</u>	<u>60,336</u>
	1,551,292	1,310,978
Warrant and Option costs	<u>27,868</u>	<u>26,443</u>
	<u>1,579,160</u>	<u>1,337,421</u>

Company	2019	2018
	€	€
Staff costs		
Wages and fees	<u>40,448</u>	<u>35,872</u>
	40,448	35,872
Warrant and Option costs	<u>27,868</u>	<u>26,443</u>
	<u>68,316</u>	<u>62,315</u>

The Company has 4 employees (2018: 4), all being the Directors of the Company.

WINDAR PHOTONICS PLC

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11. Directors and employees (continued)
Key management personnel compensation

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 2019				
<i>Directors</i>	40,448	-	-	40,448
Year ended 31 December 2018				
<i>Directors</i>	35,872	-	-	35,872

12. Finance income and expense

Finance expense

	Year ended 31 December 2019	Year ended 31 December 2018
	€	€
Foreign exchange losses	(39,124)	(82,634)
Interest expense on financial liabilities measured at amortised cost	(151,765)	(187,291)
Finance expense	(190,889)	(269,925)

13. Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
	€	€
(a) The tax credit for the year:		
UK Corporation tax	-	-
Foreign tax credit	(212,531)	(120,436)
Paid tax	43	-
-	(212,488)	(120,436)
(b) Tax reconciliation		
Loss on ordinary activities before tax	(3,291,397)	(913,408)
Loss on ordinary activities at the UK standard rate of corporation tax 19% (2018: 19%)	(625,365)	(173,548)
Effects of:		
Expenses non-deductible for tax purposes	3,108	14,141
Depreciation for the year (less than)/in excess of capital allowances	-	(20,386)
Unrecognised tax losses	533,772	95,367
Different tax rates applied in overseas jurisdictions	(125,599)	(36,010)

WINDAR PHOTONICS PLC

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Exchange rate differences	1,596	-
Tax credit for the year	(212,488)	(120,436)

The tax credit is recognised as 22 per cent. (2018: 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. (2018; 22 per cent) of deficits relating to research and development costs up to DKK 25 million.

(c) Deferred tax – Group

In view of the tax losses carried forward and other timing differences there is a deferred tax asset of approximately €2,549,025 (2018: €2,100,238) which has not been recognised in these Financial Statements, given uncertainty around timing and availability of sufficient taxable profits in the relevant Company.

(d) Deferred tax – Company

In view of the tax losses carried forward and other differences there is a deferred tax asset of approximately €281,199 (2018: €205,968) 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 2019 €	Year ended 31 December 2018 €
Loss for the year	(3,078,909)	(792,972)
Weighted average number of ordinary shares for the purpose of basic earnings per share	45,614,917	43,002,600
Basic loss and diluted, cents per share	(6.7)	(1.8)

There is no dilutive effect of the warrants (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 (2018: €Nil).

16. Investment in Subsidiaries

	€
Company At 1 January 2019	10,733,683
Capital contribution in the year	1,673,427
Write down investment in subsidiary	(11,887,213)
As at 31 December 2019	519,897

The subsidiaries of Windar Photonics Plc are included in these financial statements in accordance with the merger accounting as set out in the basis of preparation and basis of consolidation in notes 4 and 5, are as follows:

WINDAR PHOTONICS PLC

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16. Investment in Subsidiaries (continued)

Name	Country of incorporation	Ownership	Registered Office	Nature of business
Windar Photonics A/S	Denmark	100%	Helgeshoej Allé 16-18, 2630 Taastrup, Denmark	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

The Company owns 100 per cent. of the issued share capital of Windar Photonics A/S (comprising A Shares of DKK 5,737,800 of 1 DKK each and B Shares of DKK 3,642,592 of 1 DKK each) with CVR number 32157688.

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 the funds received from the share placing into its main trading subsidiary, Windar Photonics A/S, and a total transfer of funds of €962,489 was made during the year. A further waiver of intercompany receivable due from Windar Photonics A/S of €1,673,427 was made during the year and treated as capital contribution.

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 2019.

17. Intangible assets

Group	Development projects €
Cost	
At 1 January 2018	2,691,069
Additions – internally developed	415,456
Grants received	(108,779)
Exchange differences	(8,651)
At 31 December 2018	2,989,095
Additions – internally developed	528,277
Grants received	(50,824)
Exchange differences	(1,190)
At 31 December 2019	3,465,358
Accumulated amortisation	
At 1 January 2018	1,822,475
Charge for the year	189,557
Exchange differences	(5,825)
At 31 December 2018	2,006,207
Charge for the year	267,317
Exchange differences	(773)
At 31 December 2019	2,272,751
Net carrying value	
At 1 January 2018	868,594
At 31 December 2018	982,888
At 31 December 2019	1,192,607

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

17. Intangible assets (continued)

The Group has received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €50,824 (2018: €108,779) in respect of the capitalised research and development. At the end of the year a new EUDP project was granted in the amount of €508,722 which can be claimed in the coming three years (2018: €Nil).

The company's development projects relate to the development of improved performance and functionality, improved components etc. in the company's products. Measurement of the development projects are based on realization of the company's business plan and budgets, particularly realization of expected growth in revenue.

18. Property, plant & equipment

Group	Plant and equipment €
Cost	
At 1 January 2018	294,048
Additions	68,125
Disposed	(143,069)
Exchange differences	(763)
At 31 December 2018	218,341
Additions	3,427
Disposed	-
Exchange differences	(79)
At 31 December 2019	221,689
Accumulated depreciation	
At 1 January 2018	186,964
Charge for the year	64,078
Disposed	(143,069)
Exchange differences	(420)
At 31 December 2018	107,553
Charge for the year	52,411
Disposed	-
Exchange differences	(75)
At 31 December 2019	159,889
Net carrying value	
At 1 January 2018	107,084
At 31 December 2018	110,788
At 31 December 2019	61,800

19. Inventory

	Group	
	As at 31 December 2019	As at 31 December 2018
	€	€
Raw material	417,481	364,090
Work in progress	392,374	311,420
Finished goods	209,709	51,489
Inventory	1,019,564	726,999

The cost of inventory sold and recognised as an expense during the year was €639,555 (2018: €1,268,040).

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

20. Trade and other receivables

	Group		Company	
	As at 31 December 2019 €	As at 31 December 2018 €	As at 31 December 2019 €	As at 31 December 2018 €
Trade receivables	623,458	685,679	-	-
Less; provision for impairment of trade receivables	(511,755)	(47,541)	-	-
Trade receivables – net	111,703	638,138	-	-
Receivables from related parties	-	-	43,088	974,624
Total financial assets other than cash and cash equivalents classified at amortised costs	111,703	638,138	43,088	974,624
Tax receivables	212,428	120,209	-	-
Other receivables	84,305	166,264	11,790	12,703
Total other receivables	296,733	286,473	11,790	12,703
Total trade and other receivables	408,436	924,611	54,878	987,327
Classified as follows:				
Current Portion	408,436	924,611	54,878	987,327

At the end of 2019 the group had debtors, primarily in China, where in 2020 there were non-payments from these customers. It has not been possible to obtain clarification of the possibility of collection of these receivables before approving the annual report.

Due to the general uncertainties, Management have made the judgement to take a worst case approach and made a full provision with the hope that at least part of the provision can be recovered in the future.

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	-	-	127,320	127,320
Loss provision	-	-	(93,694)	(93,694)
Net carrying amount	-	-	33,326	33,326

Trade and other receivables represent financial assets and are considered for impairment on an expected credit loss model. These assets have historically had immaterial levels of bad debt and are with credit worthy customers, and as the Group trades with a concentrated number of customers and utilises export credit facilities the Group has reviewed trade receivables on an individual basis. Additionally, the Group continues to trade with the same customers and therefore the future expected credit losses have been considered in line with the past performance of the customers in the recovery of their receivables. The implementation of IFRS 9 has therefore not resulted in a change to the impairment provision in the current or prior year.

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 including the area of operations of

WINDAR PHOTONICS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2019

20. Trade and other receivables (continued)

those debtors and the advancing market for wind power and the Group's products. The assessment of the expected credit risk for the year has not increased, when looking at the factors affecting the risk noted above.

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.

Of the net trade receivables €49,750 (2018: €13,096) was pledged as security for the invoice discounting facility. 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 2019 €	As at 31 December 2018 €	As at 31 December 2019 €	As at 31 December 2018 €
Cash at bank	763,024	1,721,803	521,713	221,540

The Group has restricted cash balances of €360,000 (2018: € 518,138) but a provision of the full amount is made at the end of the year due to no payment from the customer in 2020. The restricted cash balances relate to transactions entered into between the Group and external financial parties. When EKF has credit approved a customer EKF, issues a non-recourse payment guarantee to an external financial party typically of 80% to 90% of the face value of the transaction. Upon shipment of the products, the Group then sells the invoice to the external financial party at face value subject to depositing and pledging a cash amount equal to the difference between the face value of the invoice and the EKF guarantee. When the customer pays typically one year later, the full invoice amount to the financial party, the deposit is paid in full to the Group.

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22. Notes supporting statement of cash flows

	Non-current loans and borrowings €	Current loans and borrowings €	Invoice discounting €	Total €
As at 1 January 2018	1,023,809	4,579	121,208	1,149,596
Repayment of loans	-	(4,579)	-	(4,579)
Repayment of Invoice Discounting			(110,473)	(110,473)
Accrued interests on non-current loans	120,754	-		120,754
Loans and borrowings classified as non-current in previous period becoming current in this period	(5,250)	5,250	-	-
Foreign exchange rate differences	(3,569)	(10)	-	(3,579)
As at 31 December 2018	1,135,744	5,240	10,735	1,151,719
Repayment of loans	-	(5,240)	-	(5,240)
Repayment of Invoice Discounting	-	-	(8,743)	(8,743)
Accrued interests on non-current loans	135,011	-	-	135,011
Loans and borrowings classified as non-current in previous period becoming current in this period	(1,265,059)	1,265,059	-	-
Foreign exchange rate differences	(522)	-	-	(522)
As at 31 December 2019	5,174	1,265,059	1,992	1,272,225

23. Trade and other payables

	Group		Company	
	As at 31 December 2019 €	As at 31 December 2018 €	As at 31 December 2019 €	As at 31 December 2018 €
Invoice discounting	1,992	10,735	-	-
Trade payables	1,045,792	492,822	198,485	67,691
Other payables and accruals	211,879	588,456	20,000	20,000
Current portion of Nordea and Growth Fund loans	1,265,059	5,240	-	-
Total financial liabilities, excluding 'non-current' loans and borrowings classified as financial liabilities measured at amortised cost	2,524,722	1,097,253	218,485	87,691
Contract liabilities	69,954	83,169	-	-
Total trade and other payables	2,594,676	1,180,422	218,485	87,691
Classified as follows:				
Current Portion	2,594,676	1,180,422	218,485	87,691

The invoice discounting arrangement is secured upon the trade debtors to which the arrangement relates.

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.

WINDAR PHOTONICS PLC

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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 2019 €	As at 31 December 2018 €
Loans		
Growth Fund	1,259,499	1,124,914
Current portion of Growth Fund	(1,259,499)	-
Nordea Ejendomme	10,734	16,070
Current portion of Nordea Loan	(5,560)	(5,240)
Total non-current financial liabilities measured at amortised costs	5,174	1,135,744

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 on June 29, 2020 terms for the borrowing was renewed whereafter the interest rate was reduced to 7 percent p.a. and the loan to be repaid in equal quarterly instalments over the period from 1 July, 2021 until 1 July, 2025. The terms have been further amended in October 2020, whereby the instalments in the second half of 2021 have been extended to the second half of 2025 whereafter the quarterly instalments are due on 1 January 2022 until 1 January 2026. For additional post year end conditions see note 31.

The loan from Nordea Ejendomme is in respect of amounts included in the fitting out of the offices in Denmark. The loan is repayable over the 6 years and matures in November 2021 and carries a fixed interest rate of 6 per cent.

Both loans are denominated in Danish Kroner.

The Company had no borrowings.

25. Share capital

On December 12 2019 the company issued 4,076,348 ordinary shares of 1 pence each for a cash consideration at £0.275 per share. On 12 July 2018 the Company issued 2,700,000 ordinary shares of 1 pence each for cash consideration at £0.82 per share.

	Authorised 2019	€ 2019	Authorised 2018	€ 2018
Shares at beginning of reporting period	44,508,369	560,859	41,808,369	530,543
Issue of share capital	4,076,348	47,830	2,700,000	30,316
Shares at end of reporting period	48,584,717	608,689	44,508,369	560,859

On 3 January and 8 January in 2020 the company completed the 12 December, 2019 capital raise by issuing an additional 1,166,363 ordinary shares of 1 pence each for a cash consideration at £0.275 per share.

	Number of shares issued and fully paid 2019	€ 2019	Number of shares issued and fully paid 2018	€ 2018
Shares at 1 January 2019	44,508,369	560,859	41,808,369	530,543
Issue of shares for cash	4,076,348	47,830	2,700,000	30,316
Shares at 31 December 2019	48,584,717	608,689	44,508,369	560,859

WINDAR PHOTONICS PLC

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25. Share capital (continued)

At 31 December 2019 the share capital comprises 48,584,717 shares of 1 pence each.

Warrants and share options

Warrants and share options are granted to Directors and employees.

195,000 new share options or warrants were granted in 2019. The options were issued at a strike price of £1 a third vesting on each anniversary for the first three years. The options have a 10-year life. The price of the share at the time of issue was £0.24. 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%.

The share options issued in 2017 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 £1 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 was £0.88. 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%.

In 2019 the outstanding warrant expiring at the end of 2019 was extended with two years now expiring at the end of 2021. Terms and conditions were unchanged.

The average share price during the year was 50.00 pence (2018: 88.25 pence). At the year end the Company had the following warrants and options outstanding:

	At 31 December 2018	Number of warrants and options		At 31 December 2019	Exercise price (£ pence)	Exercise date
		Granted	Lapsed			
Warrants	1,520,956	-	-	1,520,956	39.07	31/12/19 to 31/12/21
Options	362,500	195,000	-	557,500	100.00	16/11/18 to 01/03/32
	1,883,456	195,000	-	2,078,456		

The number of options and warrants exercisable at 31 December 2019 is warrants 1,520,956 (2018: 1,520,956) and options 241,666 (2018: 120,833).

The weighted average remaining contractual life for the options outstanding as at 31 December 2019 is 10.76 years (2018: 11.01 years).

The warrants have a remaining life of two years (2018: 1 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.

WINDAR PHOTONICS PLC
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27. Operating Leases

The total future value of the minimum lease payment is due as follows:

	2019	2018
	€	€
Not later than one year	75,967	64,485
Later than one year and not later than five years	-	-
	75,967	64,485

All leasing commitments are in respect of property and cars leased by the Group. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews once a year. The Company has not entered any leases in 2020 with maturity longer than 6 months.

28. Warranty provision

	2019	2018
	€	€
Provision at the beginning of reporting period	78,422	72,205
Provision charged to the profit and loss account	(9,995)	9,439
Utilised in year	(7,240)	(2,991)
Foreign exchange rate movements	(17)	(231)
	61,170	78,422

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 €(9,995) (2018: €9,439) corresponding to a warranty cost percentage of (0.4)% (2018: 0.2%) 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. 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 €32,145 (2018: €32,196). There were amounts outstanding at the year end to Wavetouch €167,527 (2018: €72,853). At the end of the year there were amounts outstanding to OPDI of € Nil (2018: € 31,426).

Intercompany transactions

At 31 December 2019 there exist an intercompany loan between Windar Photonics PLC and its subsidiary Windar Photonics A/S.
Windar Photonics PLC has a receivable at €43,088 (2018: €974,624). Interest added during 2019 amounts to €35,396 (2018: €28,512).
The interest rate for 2019 is Bank of England base rate 0.75% + 2.5% - equal to 3.25% p.a. (2018: Base rate 0.75% + 2.5% - equal to 3.25% p.a.).

30. Controlling Parties

There is no ultimate controlling party of the Company.

WINDAR PHOTONICS PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

31. Post balance sheet events and outstanding lawsuits

On 3 January and 8 January in 2020 the company completed the 12 December, 2019 capital raise by issuing an additional 1,166,363 ordinary shares of 1 pence each for a cash consideration at £0.275 per share.

The Growth Fund borrowing from the Danish public institution currently classified as short term debts was renegotiated in June 2020 whereafter the interest rate was reduced to 7 percent p.a. and the loan to be repaid in equal quarterly instalments over the period from 1 July, 2021 until 1 July, 2025. The terms have been further amended in October 2020, whereby the instalments in the second half of 2021 have been extended to the second half of 2025 whereafter the quarterly instalments are due on 1 January 2022 until 1 January 2026. Further the company has received an offer for an additional Covid-19 borrowing in the amount of €400,000 in November 2020. The interest rate in this offer is Cibur plus 5% p.a. and to be repaid over a 6 year period with first instalments starting on 1 January 2022. In 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.

At the end of 2019 the Company had one outstanding lawsuit regarding a dispute with a previous supplier. The company disputes the claim of approximately €22,000 made against the company.

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 now 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 West Hill Corporate Finance Ltd, 85 Gresham Street, London, EC2V 7NQ at 1.00 p.m. on 10 December 2020 for the purpose of considering and, if thought fit, passing the resolutions below.

IMPORTANT INFORMATION – IMPACT OF THE COVID-19 PANDEMIC ON THE AGM

In light of the Coronavirus (COVID-19) pandemic and the restrictions imposed by the UK Government, the Company will convene the AGM with the minimum necessary quorum of two shareholders (which the Company will facilitate), and further shareholders will not be permitted to attend the AGM in person. The Company will include all valid proxy votes (whether submitted electronically or in hard copy form) in its polls at the AGM and the Chair of the meeting will call for a poll on each resolution. The Company accordingly requests that shareholders submit their proxy votes in respect of the resolutions as set out in the Notice of the AGM, electronically or by post in advance, in accordance with the instructions set out in the Notice of the AGM.

Shareholders should submit their votes via proxy as early as possible, and shareholders are requested to appoint the Chairman of the meeting as their proxy. If a shareholder appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the shareholder's vote.

Copies of the Annual Report and Accounts for the year ended 31 December 2019 and the Notice of the Annual General Meeting are available from the Company's website – www.windarphotonics.com

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 2019 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect J Petersen, 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 J Korsgaard Jensen, 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 re-appoint Jeffrey Henry LLP 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 £182,500, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 30 June 2021 (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 5 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

WINDAR PHOTONICS PLC

NOTICE OF ANNUAL GENERAL MEETING

- 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 £182,500,

and shall expire on the earlier of the conclusion of the next annual general meeting and 30 June 2021 (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 November 13 2020

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 5 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 6 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 2019 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 reappointment of BDO LLP. Resolution 3 proposes BDO LLP's reappointment and Resolution 4 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 £182,500, 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 2020 (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 £182,500, 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 2020 (whichever is the earlier).

Notes

1. Given the current Coronavirus (COVID-19) situation, and to ensure adherence to current Government requirements, attendance in person at the meeting will not be possible this year. Shareholders are requested to appoint the Chairman of the meeting as his or her proxy as any other person so appointed will not be permitted to attend the meeting. The below notes are to be read subject to this COVID-19 related proviso.
2. 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.
3. 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.
4. 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, The Courtyard, 17 West Street, Farnham,

Surrey GU9 7DR, or by scan and email to Share Registrars at voting@shareregistrars.uk.com, not later than 1 p.m. on 8 December 2020.

5. 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.
6. 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 8 December 2020 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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 8 December 2020.

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 49,751,080, 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 49,751,080.