

27 June 2019

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Windar Photonics plc

("Windar", the "Company" or "Group")

Final Results and Notice of Annual General Meeting

Windar Photonics plc (AIM:WPHO), the technology group that has developed a cost efficient and innovative LiDAR wind sensor for use on electricity generating wind turbines, is pleased to announce its final results for the year ended 31 December 2018.

FY 2018 high lights:

- Total revenue recognised increased 59% to €3.5 million (2017: €2.2 million) and record volume of product shipped, with such revenues up 80% in 2018 to €3.6m (2017: €2.0m)
- Gross profit up 86% to €1.7 million (2017: €0.9 million)
- Operating costs (ex. depreciation, amortisation and warrant costs) unchanged at €2.1 million (2017: €2.1 million) - despite considerable increases in operational costs in the Shanghai sales and service office and R&D (primarily wind analytics and turbine integration)
- EBITDA loss excluding warrant costs reduced by 71% to €0.36 million (2017: loss €1.22 million)
- Order backlog at the end of 2018 for deliveries in 2019 totalled €0.9 million (2017: €3.9 million)
- Net cash of €2.2 million including restricted cash holdings of €0.5 million (2017: €1.3 million and €0.2 million, respectively)

As in prior years, revenue in 2018 was predominantly generated in the retro-fit market segment and primarily in our Asian markets. The global distribution agreement with Vestas Wind Systems A/S ("Vestas") Service has not yet had a material impact on the Company's revenues. However, based on a broad range of ongoing end-user projects with Vestas, as well as other projects with Windar's other distribution partners in Asia, the Board expects to achieve continued growth within the retro-fit segment as well as a more balanced spread of revenue across geographies through 2019 and beyond.

Revenue from the OEM market segment in 2018 included a small number of orders for new test projects. At the end of 2018, the Company had a record number of ongoing OEM turbine integration projects, some of which are in the final turbine type verification stages.

Jørgen Korsgaard Jensen, CEO of Windar, said:

"While 2018 presented some supply chain challenges on the back of increased demand for our products, we have taken action to address this situation. Therefore, whilst not fully achieving our targets in 2018, based on our current customer projects with Vestas Service and the continued demand from our Asian partners, I expect Windar to continue its positive development in the coming years. In addition, given the significant investments our OEM customers are making to

integrate our LiDAR products on various wind turbine platforms, I expect this market segment to become an additional key growth driver for Windar in the near future. The combination of this with the continued growth of the retro-fit market will help us achieve our ambition to build a strong and profitable company and leading supplier to the wind energy industry.”

Notice of Annual General Meeting

Windar also today gives notice that its Annual General Meeting (“AGM”) will be held at the offices of Cantor Fitzgerald Europe, One Churchill Place, Canary Wharf, London E14 5RB at 1.00 p.m. on 22 July 2019.

The Annual Report and Accounts and Notice of AGM will be posted to shareholders today and will be available shortly from the Company’s website, www.windarphotonics.com.

For further information:

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About Windar:

Windar Photonics is a technology group that develops cost-efficient and innovative Light Detection and Ranging (“LiDAR”) optimisation systems for use on electricity generating wind turbines. LiDAR wind sensors in general are designed to remotely measure wind speed and direction.

<http://investor.windarphotonics.com>

CHAIRMAN'S STATEMENT

Dear Shareholders,

Windar Photonics is a pioneer in the wind energy market and the 59% year on year increase in revenue and 92% year on year increase in gross profit delivered for the year is a strong signal that our customers are recognising the benefits that our LiDAR products provide. The revenue growth realised in 2018 was strongly supported by the partial delivery on the announced order for the Chinese IPP market announced in December 2017.

We aim to become the world's leading LiDAR group for wind optimisation. Although challenges in relation to our supply chain meant we needed to push back some projects into 2019, there is no denying that demand for our technology is increasing. The fundraise we completed during the year has enabled us to increase stock levels of core components, ensuring we will not have a repeat of the supply issues experienced in delivering 2018 projects. Also, we have secured new market leading distribution partners, broadened the capabilities of our products and advanced a record number of integration projects with Original Equipment Manufacturers (OEMs) during the period.

The demand for our solutions is driven by the fact that we can increase the value of wind projects by increasing the efficiency of extracting energy from wind, increasing the lifetime of the turbines through load reductions and reducing maintenance costs. We aim to be the leading value LiDAR manufacturer in the market based on our patented technology solutions. These factors, together with the continued development of new features which respond to client needs, make us an ideal partner to Independent Power Producers (IPPs) and OEMs alike. Importantly, we have two core products which serve each of these customer groups – WindEYE™ (retro-fit) and WindVISION™ (design integration for OEMs). We serve the global market from our headquarters in Copenhagen, Denmark and our sales and service office in Shanghai, China.

Reducing the costs associated with manufacturing our products has been a core focus for Windar in recent years. 2018 was the first year that we enjoyed the full benefit of the second generation LiDAR, which was released in early 2017 and has enabled us to reduce our manufacturing costs considerably during the last two years. This improvement has been delivered principally due to our strong and continued focus on R&D. This part of our business also saw us expand the range of innovative new features for our products, such as turbulence and wake detection.

Retro-fit Developments - WindEYE™

R&D is an important part of our strategy to maintain our market leading advantage and our value proposition. We believe in providing 'plugN'play' technologies which help our customers to increase the lifetime of their turbines without excessive cost, while also increasing our growth potential and profit margins. So far, the key selling parameter has been that our products increase annual energy production through a better yaw alignment of the wind turbine. However, there are an additional number of ways to help IPPs deliver stronger returns from their projects and our R&D programme is focused on adding new technology to our offering.

Post period end we announced an exclusive licensing agreement with The Technical University of Denmark ("DTU"). This has seen us begin implementation of an innovative solution into our retro-fit product, WindEYE™, which is expected to mitigate extreme loads on installed wind turbines without requiring changes to be made to the existing controller system. Based on work already conducted, DTU estimates that it can deliver extreme load reductions of between 5% and 10%. This can then increase the expected operational lifetime of a wind turbine by a similar amount. We anticipate that the new software will be launched during 2020 and will feature as an optional software upgrade in new and existing WindEYE™ installations.

In 2018, the majority of our sales and growth were generated by the retrofit market.

We were delighted to open new sales channels for WindEYE™ during the period having signed a distribution agreement with the industry's largest maintenance provider, Vestas Wind Systems A/S ("Vestas"). This was announced in June 2018, and therefore has not yet had a material impact on the Group's revenue in 2018. However, based on the end-user projects, we expect the agreement to underpin our growth expectations for the coming years.

We continue to regard Vestas as playing an important role in the marketing of our technology and we are delighted to report that discussions are underway with numerous IPPs in Asia Pacific and North America. We are hopeful that these will convert in the coming months and look forward to updating the market regarding our first order with Vestas.

With the latest agreement with Vestas and our existing agreements with our distributors in China and India, we now have coverage to serve the market in North American, Asia Pacific and the European markets.

OEM Developments - WindVISION™

WindVISION™ was specifically developed to be integrated into the design of a wind turbine and is therefore our tailored solution to the OEM market. We have been campaigning for OEMs to adopt our LiDAR technology for

optimisation of new turbine designs since WindVISION™ was launched in the market in 2016. The accreditation work required to get such a new technology added to the turbine designs of many of these very large manufacturers and to become embedded within their planning procedures has been time consuming and taken longer than we originally expected.

However, I am delighted to advise that we have made great progress and are starting to see signs that the fruits of our labour are paying off. Firstly, we ended the year with a record number of ongoing OEM turbine integration projects, some of which are in the advanced stages of being certified by world leading verification bodies. Secondly, we were very excited to see that a recent successful tender for the world's largest new wind farm in China stipulates that LiDAR technology, with the specific scope of capabilities available from WindVISION™ was included in the tender specification. The tender was won by a range of OEMs, including several existing Windar customers where discussions are already taking place regarding the supply of LiDARs for this project. While the number of LiDARs to be deployed within the tender is not yet confirmed, we are optimistic this will represent a significant development and opportunity for our Company. We will update the market as appropriate, in due course.

Our progress has been supported by the additional features like wake detection etc. which today is included as standard in our WindVISION™ products, as described earlier in my statement. There is no doubt that this has created increasing interest within this market segment and reinforces our continuing commitment to invest in our various R&D programmes. With this in mind, we remain confident that we are ideally positioned to diversify our revenue composition in the future.

Financial Overview

Revenue during the year increased 59% to €3.5 million (2017: €2.2 million). Gross profit was up 92% to €1.8 million (2017: €0.9 million), supported by cost reductions generated through the full year effect of the second-generation LiDAR.

Net loss for the year before taxes reduced to €0.9 million from €2.3 million, which included depreciation, amortisation and warrant costs of €0.3 million (2017: €0.8 million).

The Group held cash balances at the end of the year of €1.7 million (2017: €1.1 million) excluding restricted cash balances of €0.5 million (2017: €0.2 million).

Trade receivables were €0.6 million (2017: €0.4 million) reflecting the increased revenue during the period. The Group continues to use invoice discounting and export credit to finance receivables, although invoice discounting in the period falling €0.1 million from €0.1 million in 2017. The Group closely monitors the outstanding trade receivables against their credit terms.

The Group has capitalised its continued cost of investment in technology during the year. This amounts to 2018 €0.4 million (2017: €0.3 million) before grants of €0.1 million (2017: €0.2 million).

During the year, the Group raised €2.5 million before expenses through the issue of share capital. As well as using the factoring facility established in 2016 for financing of working capital, the Group is also pleased to have financed sales in 2018 of €2.4 million (2017: €1.3 million) with Denmark's export credit agency, Eksport Kredit Fonden ("EKF"). This facility has enabled the Group to limit the increase of outstanding trade receivables at the end of the year to €0.6 million (2017: €0.4 million) despite the revenue growth.

Outlook

Going into 2019, the Group has a strong product platform with the WindEYE™ and WindVISION™ product lines and a strengthened distribution network for our retrofit solution, thanks to our Vestas agreement. We are in advanced negotiations with a number of IPPs in North America and Asia Pacific on the back of this and will announce updates on these when completed.

We are pleased to have entered the year with the best OEM projects we have had in our history and look forward to these delivering recurring revenues in the future.

During 2019, our R&D will continue unchanged, with an emphasis on additional new features, turbine optimisation solutions and additional cost saving programmes included in our ongoing third generation LiDAR project.

Going into 2019, the Group has further strengthened the organisation, with a focus to optimise the existing supply chain and to scale up for our future growth. Overall, the Group remains confident for 2019 and the future, and I would like to take the opportunity to thank the management and staff for their efforts in 2018.

Johan Blach Petersen
Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
	Note	
Revenue	4,5	3,499,867
Cost of goods sold		(1,744,571)
Gross profit		1,755,296
Administrative expenses		(2,391,798)
Impairment loss		(39,182)
Other operating income		32,201
Loss from operations		(643,483)
Finance expenses	6	(269,925)
Loss before taxation		(913,408)
Taxation	7	120,436
Loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		(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		(2,125)
		13,038
Total comprehensive loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		(795,097)
Loss per share attributable to the ordinary equity holders of Windar Photonics Plc		
Basic and diluted, cents per share	8	(1.8)
		(5.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		31 December 2018 €	31 December 2017 €
	Note		
Assets			
Non-current assets			
Intangible assets	10	982,888	868,594
Property, plant & equipment	11	110,788	107,084
Deposits		46,285	38,505
Total non-current assets		1,139,961	1,014,183
Current assets			
Inventory	12	726,999	739,610
Trade receivables	13	638,138	381,295
Other receivables	13	286,473	216,710
Prepayments		83,763	78,379
Restricted cash and cash equivalents		518,138	234,692
Cash and cash equivalents	14	1,721,803	1,116,503
Total current assets		3,975,314	2,767,189
Total assets		5,115,275	3,781,372
Equity			
Share capital	18	560,859	530,543
Share premium	18	12,558,434	10,281,073
Merger reserve	18	2,910,866	2,910,866
Foreign currency reserve	18	(21,715)	(19,590)
Retained earnings	18	(13,287,757)	(12,521,228)
Total equity		2,720,687	1,181,664
Non-current liabilities			
Warranty provisions	20	78,422	72,205
Loans	17	1,135,744	1,023,809
Total non-current liabilities		1,214,166	1,096,014
Current liabilities			
Trade payables	16	492,822	1,045,516
Other payables and accruals	16	588,456	325,675
Deferred revenue	16	83,169	6,716
Invoice discounting	16	10,735	121,208
Loans	16	5,240	4,579
Total current liabilities		1,180,422	1,503,694
Total liabilities		2,394,588	2,599,708
Total equity and liabilities		5,115,275	3,781,372

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Loss for the period before taxation		(913,408)	(2,292,121)
Adjustments for:			
Finance expenses	6	269,925	286,349
Amortisation	10	189,557	494,709
Depreciation	11	64,078	56,409
Received tax credit		66,095	149,603
Foreign exchange losses		(84,759)	(129,294)
Share option and warrant costs		26,443	235,416
		(382,069)	(1,198,929)
<i>Movements in working capital</i>			
Changes in inventory		12,611	254,047
Changes in receivables		(285,731)	152,687
Changes in trade payables		(552,147)	441,566
Changes in deferred revenue		76,453	(220,226)
Changes in warranty provisions	20	6,218	32,562
Changes in other payables and provisions		263,442	124,628
Cash flow from operations		(861,223)	(413,665)
<i>Investing activities</i>			
Payments for intangible assets	10	(415,456)	(333,480)
Payments for tangible assets	11	(68,125)	(44,312)
Grants received	10	108,779	152,447
Cash flow from investing activities		(374,802)	(225,345)
<i>Financing activities</i>			
Proceeds from issue of share capital		2,500,877	1,443,605
Costs associated with the issue of share capital		(193,199)	(109,540)
Reduction from invoice discounting		(110,474)	(118,319)
Increase in restricted cash balances		(283,446)	(204,083)
Repayment of loans		(4,579)	(4,580)
Interest paid		(66,537)	(36,080)
Cash flow from financing activities		1,842,642	971,003
Net increase/(decrease) in cash and cash equivalents		606,617	331,993
Exchange differences		(1,317)	1,344
Cash and cash equivalents at the beginning of the year		1,116,503	783,166
Cash and cash equivalents at the end of the year	14	1,721,803	1,116,503

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Share Premium	Merger reserve	Foreign currency reserve	Accumulated Losses	Total
	€	€	€	€	€	€
Group						
At 1 January 2017	513,327	8,964,224	2,910,866	(32,628)	(10,530,769)	1,825,020
New shares issued	17,216	1,426,389	-	-	-	1,443,605
Costs associated with capital raise	-	(109,540)	-	-	-	(109,540)
Share option and warrant costs	-	-	-	-	235,416	235,416
Transaction with owners	17,216	1,316,849	-	-	317,069	1,569,481
Loss for the year	-	-	-	-	(2,225,875)	(2,225,875)
Other comprehensive gains	-	-	-	13,038	-	13,038
Total comprehensive loss	-	-	-	13,038	(2,225,875)	(2,212,837)
At 31 December 2017	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/(loss)	-	-	-	(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
Company						
At 1 January 2017	513,327	8,964,224	658,279	(7,746)	(1,454,047)	8,674,037
New shares issued	17,216	1,426,389	-	-	-	1,443,605
Costs associated with capital raise	-	(109,540)	-	-	-	(109,540)
Share option and warrant costs	-	-	-	-	235,416	235,416
Transaction with owners	17,216	1,316,849	-	-	235,416	1,589,481
Loss for the year	-	-	-	-	(414,017)	(414,017)
Total comprehensive loss	-	-	-	-	(414,017)	(414,017)
At 31 December 2017	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	12,558,433	658,279	(7,746)	(1,891,110)	11,878,716

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

The financial information set out below does not constitute the company's statutory accounts for 2018 or 2017. Statutory accounts for the years ended 31 December 2018 and 31 December 2017 have been reported on by the Independent Auditors. The Independent Auditors' Reports on the Annual Report and Financial Statements for the years ended 31 December 2018 and 31 December 2017 were unqualified, drew attention to a material uncertainty related to going concern by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2018 will be delivered to the Registrar in due course.

2. 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, no further funding will be required and are satisfied that the Group has adequate resources to continue in operation for the review period, namely 12 months from the date of approval of these financial statements. It is on that basis they continue to adopt the going concern basis of accounting in preparing these financial statements.

If the timing of the forecast revenue 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 and the Board is confident that this would be available. The Board has started initial initiatives related to refinancing of the Growth Fund Loan due in June 2020, however, at the date of approval of these financial statements there are no legally binding agreements in place relating to any such fundraising. The ability to continue as a going concern is therefore entirely dependent on the timing of the revenue forecasts being achieved in the expected periods and trade receivables being received as anticipated, 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.

3. Basis of preparation

The consolidated financial statements comprise the consolidated financial information of the Group as at 31 December 2018 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 policies have been consistently applied to all the periods presented except for the adoption of IFRS 15 and 9 as discussed above.

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.

4. Revenue

Revenue from contracts with customers:	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Sale of product and installation	3,492,775	2,171,647
Rendering of services	<u>7,092</u>	<u>42,017</u>
Revenue	<u>3,499,867</u>	<u>2,213,664</u>

Disaggregation of revenue

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

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
WindEye™ WindVision™	3,272,525	1,908,959
	<u>220,250</u>	<u>262,688</u>
Rendering of services	<u>7,092</u>	<u>42,017</u>
Revenue	<u>3,499,867</u>	<u>2,213,664</u>

Deferred revenue of €83,169 (2017: €6,716) relates to performance obligation under contracts that have not yet been completed and are expected to be met in 2019.

5. 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 2018, two customers accounted for more than 10 per cent of the revenue each (2017: three customers). The total amount of revenue from these customers amounted to €3,145,168, 90 per cent of the total revenue (2017: €1,552,221 or 70 per cent of the revenue)

Revenue by geographical location of customer:

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Europe	91,891	129,751
Americas	85,437	147,065
China	3,293,434	1,784,614
Asia (excluding China)	<u>29,105</u>	<u>152,234</u>
Revenue	<u>3,499,867</u>	<u>2,213,664</u>

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 2018	As at 31 December 2017
	€	€
Denmark	1,170,617	972,148
	<u>1,170,617</u>	<u>972,148</u>

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

6. Finance income and expense

Finance expense

	Year ended 31 December 2018	Year ended 31 December 2017
	€	€
Foreign exchange losses	(82,634)	(142,331)
Interest expense on financial liabilities measured at amortised cost	(187,291)	(144,007)
Finance expense	<u>(269,925)</u>	<u>(286,338)</u>

7. Income tax

	Year ended 31 December 2018	Year ended 31 December 2017
	€	€
The tax credit for the year:		
UK Corporation tax	-	-
Foreign tax credit	(120,436)	(66,246)
	<u>(120,436)</u>	<u>(66,246)</u>

Tax reconciliation

Loss on ordinary activities before tax	<u>(913,408)</u>	<u>(2,292,121)</u>
Loss on ordinary activities at the UK standard rate of corporation tax 19% (2017: 19.25%)	(173,548)	(441,943)
Effects of:		
Expenses non-deductible for tax purposes	14,141	51,467
Depreciation for the year (less than)/in excess of capital allowances	(20,386)	71,158
Unrecognised tax losses	95,367	324,106
Different tax rates applied in overseas jurisdictions	(36,010)	(71,034)
Tax credit for the year	<u>(120,436)</u>	<u>(66,246)</u>

The tax credit is recognised as 22 per cent. (2017: 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. (2017; 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 €2,100,238 (2017: €2,106,853) 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 €205,968 (2017: €190,485) 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 Profit and Loss Statement are denominated in DKK.

8. 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 2018 €	Year ended 31 December 2017 €
Loss for the year	(792,972)	(2,225,875)
Weighted average number of ordinary shares for the purpose of basic earnings per share	43,002,600	41,050,362
Basic loss and diluted, cents per share	(1.8)	(5.4)

There is no dilutive effect of the warrants as the dilution would reduce the loss per share.

9. Dividends

No dividends were proposed by the Group during the period under review (2017: €Nil).

10. Intangible assets

Group	Development projects
Cost	€
At 1 January 2017	2,513,734
Additions – internally developed	333,480
Grants received	(152,447)
Exchange differences	(3,698)
At 31 December 2017	2,691,069
Additions – internally developed	415,456
Grants received	(108,779)
Exchange differences	(8,651)
At 31 December 2018	2,989,095
Accumulated amortisation	
At 1 January 2017	1,330,059
Charge for the year	494,709
Exchange differences	(2,293)
At 31 December 2017	1,822,475
Charge for the year	189,557
Exchange differences	(5,825)
At 31 December 2018	2,006,207
Net carrying value	
At 1 January 2017	1,183,675
At 31 December 2017	868,594
At 31 December 2018	982,888

The Group has received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €108,779 (2017: €152,447) in respect of the capitalised research and development. The Group can claim a further €NIL (2017: €174,342) of grants in future years in respect of on-going Research and Development.

11. Property, plant & equipment

Group	Plant and equipment €
Cost	
At 1 January 2017	262,993
Additions	44,312
Disposed	(12,703)
Exchange differences	(494)
At 31 December 2017	294,048
Additions	68,125
Disposed	(143,069)
Exchange differences	(763)
At 31 December 2018	218,341
Accumulated depreciation	
At 1 January 2017	143,512
Charge for the year	56,409
Disposed	(12,703)
Exchange differences	(254)
At 31 December 2017	186,964
Charge for the year	64,078
Disposed	(143,069)
Exchange differences	(420)
At 31 December 2018	107,553
Net carrying value	
At 1 January 2017	119,421
At 31 December 2017	107,084
At 31 December 2018	110,788

12. Inventory

	Group	
	As at 31 December 2018	As at 31 December 2017
	€	€
Raw material	364,090	335,653
Work in progress	311,420	340,535
Finished goods	51,489	63,422
Inventory	726,999	739,610

The cost of inventory sold and recognised as an expense during the year was €1,268,040 (2017: €1,024,481).

13. Trade and other receivables

	Group		Company	
	As at 31 December 2018 €	As at 31 December 2017 €	As at 31 December 2018 €	As at 31 December 2017 €
Trade receivables	685,679	428,979	-	-
Less; provision for impairment of trade receivables	(47,541)	(47,684)	-	-
Trade receivables – net	638,138	381,295	-	-
Receivables from related parties	-	-	974,624	276,299
Total financial assets other than cash and cash equivalents classified at amortised costs	638,138	381,295	974,624	276,299
Tax receivables	120,209	66,169	-	-
Other receivables	166,264	150,541	12,703	12,180
Total other receivables	286,473	216,710	12,703	12,180
Total trade and other receivables	924,611	598,005	987,327	288,479
Classified as follows:				
Current Portion	924,611	598,005	987,327	288,479

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	19,500	524,030	84,039	627,569
Loss provision	-	-	(47,541)	(47,541)
Net carrying amount	19,500	524,030	36,498	580,028

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 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.

Movements in the impairment allowance for trade receivables are as follows:

	As at 31 December 2018 €	As at 31 December 2017 €
At 1 January under IAS 39	47,684	27,536
Restated through opening reserves	-	-
	47,684	27,536
Increase during the year	39,182	-
Receivable written off during the year as uncollectible	(39,325)	20,148
Impairment loss during the year	(143)	20,148
At 31 December	47,541	47,684

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 €13,096 (2017: €152,407) 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.

14. 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 2018 €	As at 31 December 2017 €	As at 31 December 2018 €	As at 31 December 2017 €
Cash at bank	1,721,803	1,116,503	221,540	180,727

The Group has restricted cash balances of € 518,138 (2017: € 234,692) which are not part of cash balances for the cash flow statement. 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 guaranties 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 guaranties. 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.

15. Notes supporting statement of cash flows

	Non-current loans and borrowings €	Current loans and borrowings €	Invoice discounting €	Total €
As at 1 January 2017	921,751	4,586	239,528	1,165,865
Repayment of loans	-	(4,580)		(4,580)
Repayment of Invoice Discounting			(118,320)	(118,320)
Accrued interests on non-current loans	107,937	-		107,937
Loans and borrowings classified as non-current in previous period becoming current in this period	(4,579)	4,579	-	-
Foreign exchange rate differences	(1,300)	(6)	-	(1,306)
As at 31 December 2017	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

16. Trade and other payables

	Group		Company	
	As at 31 December 2018 €	As at 31 December 2017 €	As at 31 December 2018 €	As at 31 December 2017 €
Invoice discounting	10,735	121,208	-	-
Trade payables	492,822	1,045,516	67,691	38,720
Other payables and accruals	588,456	325,675	20,000	20,000
Current portion of Nordea loan	5,240	4,579	-	-
Total financial liabilities, excluding 'non-current' loans and borrowings classified as financial liabilities measured at amortised cost	1,097,253	1,496,978	87,691	58,720
Deferred revenue	83,169	6,716	-	-
Total trade and other payables	1,180,422	1,503,694	87,691	58,720
Classified as follows:				
Current Portion	1,180,422	1,503,694	87,691	58,720

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.

17. Borrowings

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

	Group Carrying and Fair value	
	As at 31 December 2018 €	As at 31 December 2017 €
Loans		
Growth Fund	1,124,914	1,007,410
Nordea Ejendomme	16,070	20,978
Current portion of Nordea Loan	(5,240)	(4,579)
Total non-current financial liabilities measured at amortised costs	1,135,744	1,023,809

The Growth Fund borrowing from the Danish public institution, Vækstfonden, bears interest at a fixed annual rate of 12 per cent. The borrowing is a bullet loan with maturity in June 2020. The Group may at any point in time either repay the loan in part or in full or initiate an annuity repayment scheme over four years. If an annuity repayment scheme is initiated, the interest rate will be reduced to a fixed annual rate of 8 per cent in the repayment period.

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.

18. Share capital

On 12 July 2018 the Company issued 2,700,000 ordinary shares of 1 pence each for cash consideration at £0.82 per share. On 12 July 2017 the Company issued 1,524,390 ordinary shares of 1 pence for cash consideration at 82.0 pence per share.

	Authorised 2018	€ 2018	Authorised 2017	€ 2017
Shares at beginning of reporting period	41,808,369	530,543	40,283,979	513,327
Issue of share capital on 2 July 2018	2,700,000	30,316	1,524,390	17,216
Shares at end of reporting period	44,508,369	560,859	41,808,369	530,543
	Number of shares issued and fully paid 2018	€ 2018	Number of shares issued and fully paid 2017	€ 2017
Shares at 1 January 2018	41,808,369	530,543	40,283,979	513,327
Issue of shares for cash	2,700,000	30,316	1,534,390	17,216
Shares at 31 December 2018	44,508,369	560,859	41,808,369	530,543

At 31 December 2018 the share capital comprises 44,508,369 shares of 1 pence each.

Warrants and share options

Warrants and share options are granted to Directors and employees.

A total of 57,500 share options issued in 2017 lapsed on 31 January 2018 due to termination of an employment contract by an employee in the Company. No new share options or warrants were granted in 2018.

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. The options have a 10-year life. The price of the share at the time of issue was £0.87. 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 average share price during the year was 88.25 pence (2017:89.8 pence). At the year end the Company had the following warrants and options outstanding:

	At 31 December 2017	Number of warrants and options		At 31 December 2018	Exercise price (£ pence)	Exercise date
		Granted	Lapsed			
Warrants	1,520,956	-	-	1,520,956	39.07	29/08/14 to 31/12/19
Options	420,000	-	(57,500)	362,500	100.00	16/11/18 to 16/11/27
	<u>1,940,956</u>	<u>-</u>	<u>(57,500)</u>	<u>1,883,456</u>		

The number of options and warrants exercisable at 31 December 2018 is warrants 1,520,956 (2017: 1,520,956) and options 120,833 (2017: Nil).

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 is 11.01 years (2017: 12.01 years).

The warrants have a remaining life of one year (2017: 2 years).

19. Operating Leases

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

	2018 €	2017 €
Not later than one year	64,485	102,744
Later than one year and not later than five years	-	50,721
Later than five years	-	-
	<u>64,485</u>	<u>153,465</u>

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 every 2 to 5 years. After the year end the Company has renewed property leases effectively increasing the lease obligation within one year of €29,007 and lease obligations later than one year and not later than five years of €62,943.

20. Warranty provision

	2018 €	2017 €
Provision at the beginning of reporting period	72,205	39,643
Provision charged to the profit and loss account	9,439	49,068
Utilised in year	(2,991)	(16,181)
Foreign exchange rate movements	(231)	(325)
	<u>78,422</u>	<u>72,205</u>

The Group typically provides a two-year warranty period to customers on products sold. Warranty expenses charged to the Statement of Profit or Loss and Other Comprehensive Income amounted to €9,439 (2017: €49,068)

corresponding to a warranty cost percentage of 0.2% (2017: 0.6%) 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.

21. 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 €32,196 (2017: €36,512). There were amounts outstanding at the year end to Wavetouch €72.853 (2017: € 107,379). At the end of the year there were amounts outstanding to OPDI of €31,426 (2017: € Nil).

Intercompany transactions

At 31 December 2018 there exist an intercompany loan between Windar Photonics PLC and its subsidiary Windar Photonics A/S.
Windar Photonics PLC has a receivable at €974,624 (2017: €276,299). Interest added during 2018 amounts to €28,512 (2017: €33,553).
The interest rate for 2018 is Libor 0.5% + 2.5% - equal to 3% p.a. (2017: Libor 0.5% + 2.5% - equal to 3% p.a.).