Windar Photonics plc

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2014

WINDAR PHOTONICS

Contents

Company Information

Directors	John Pix Weston *(Non-executive Chairman)* Martin Rambusch *(Chief Executive Officer)* Jørgen Korsgaard Jensen *(Chief Operating Officer)* Simon Gregory Barrell *(Non-executive Director)* Niels Vejrup Carlsen *(Non-executive Director)* Johan Blach Petersen *(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
Auditors	BDO LLP 2 City Place Gatwick RH6 0PA
Nominated Adviser and Broker	Sanlam Securities UK Limited 10 King William Street London EC4N 7TW
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

Chairman's Statement

Dear Shareholder

Although these are the first results that the Group has announced since it became a public company, the period of these results relate to a period before the Company's shares were admitted to the AIM Market. In the year ended 31 December 2014, the Group incurred a loss before taxation of €2,684,171 (2013 – €1,451,846), after exceptional costs incurred in respect of the introduction and listing on AIM of €668,724 (2013 – Nil), on a turnover of €1,038,673 (2013 – €74,141).

The wind energy industry has continued to develop during 2014, requiring increasingly innovative technological solutions to meet the market's demands for improved efficiency from already operational wind turbine assets. This situation presents an excellent opportunity for a group like Windar Photonics, which can provide an innovative and cost-effective optimisation solution that will improve the performance and enhance the lifespan of a customer's wind turbine assets.

Windar Photonics has passed some very significant milestones during the last year which, as a natural consequence of the development of the Group, prepared the Group for admission to the AIM Market, which took place on 30 March 2015. We have also strengthened the Board and, following fundraisings of approximately £5.9 million (€7.5 million) between August and December 2014, have provided the necessary funding to support the future growth of the Group.

The recent project with the EUDP (a Danish state funded project for new energy technology) has now been concluded. However, further funding, amounting to €1.1 million, has been obtained from the EUDP project for the 2015/2016 years, to support our technological progress. Additional funding has also been obtained through the Danish Market Development Fund to allow for the further development of our Lidar technology and to provide the foundation for more product demonstration projects.

During the last financial year we have managed to meet our sales targets and are now well positioned in the current financial year, particularly in the Chinese market. In order to strengthen our sales force, Windar Photonics has increased the sales team in Denmark and established local sales representation in China, Spain, Germany, Brazil, and the US to address the global interest in Windar Photonics' optimisation solution for the retrofit market, the Group's primary focus in the near term. Likewise, good progress has been made in discussions with global wind turbine manufacturers to incorporate the WindEye™ Sensor at the design stage of new wind turbines.

During the last year we have made significant technological advances with the WindEye™ Sensor. We have also launched demonstration projects in China, the US, Canada and Europe, where we have had opportunities to refine the WindEye™ Sensor even further by improving some of the mechanical aspects of the system, resulting in a reduction of the production costs of the WindEye™ Sensor system. Furthermore, the patent relating to our unique use of the semi-conductor laser has been issued in the US and approved in the EU.

In addition, we have experienced good results regarding the integration of the WindEye™ Sensor system with existing operating wind turbine control systems using our switchbox, Windswitch, in situations where full integration with the original OEM software would be over complex.

Windar Photonics has additionally initiated product development projects to enable measurement of wind shear to expand on the future applicability of the system, and to ensure we continue to meet the market's demands for optimization solutions.

Lastly, Windar Photonics has been certified according to ISO 14001, OHSAS 18001 standards and re-certified in accordance with the ISO 9001 standard to ensure that Windar Photonics adheres to the international standards regarding environment, quality control, health, and safety.

With the necessary funding in place and a growing global presence, Windar Photonics is well positioned to meet the challenges of tomorrow and further consolidate Windar Photonics' position in the market for Lidar-based wind turbine optimization.

John Weston
Chairman

Date 28 May 2015

Strategic Report

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES OF THE GROUP

Windar Photonics is a technology group that has developed and sells a cost efficient and innovative Light Detection and Ranging 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 product is the WindEye™ Sensor which measures wind direction and wind speed by scanning a laser beam ahead of the wind turbine. The WindEye™ Sensor was designed for the general optimisation of wind turbines.

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

Wind Park Operators are primarily interested in achieving better yaw alignment of existing wind turbines thereby potentially increasing power output. One method of achieving this is by fitting a LIDAR wind sensor such as the WindEye™ Sensor. 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. As such, the Group expects that the majority of its initial orders will be from Wind Park Operators. China is a global leader in terms of installed electricity generating wind turbines and the Directors therefore see the existing Wind Park Operator market (the "Retrofit Market") in China as a key potential market for the Group.

It is estimated that there are currently more than 130,000 installed wind turbines operated by Wind Park Operators with capacities of more than 1.5MW in the world, including at least 17,000 new wind turbines which were installed in the year ended 31 December 2014. The Directors believe that the Group will be able to significantly increase its market share within both the OEM market and the Retrofit Market.

GROUP RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to €2,613,859 (2013: Loss €1,333,536).

The WindEye™ Sensor was released for commercial sale at the end of 2013 and, in the year ended 31 December 2014, Windar Photonics achieved revenue of €1,038,673 from delivery of WindEye™ Sensors for installation to a combination of Wind Park Operators and OEMs. The Directors anticipate significant growth in future order volumes.

No dividends are payable for the year under review.

PRINCIPAL RISKS AND UNCERTAINTIES

Sales cycle

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 cashflow 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.

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 to date but there can be no assurance that the Group will not incur significant liabilities in satisfying warranty claims in the future.

Strategic Report
continued

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.

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 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.

Liquidity risk

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

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

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group 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 under all reasonably expected circumstances.

KEY PERFORMANCE INDICATORS

The Group considers the available cash balances as the current key performance indicator of the business as it has been in a start-up position. At 31 December 2014 the Group had cash balances following the fund raising of €5,548,596 (2013: €249,922).

BY ORDER OF THE BOARD ON 28 May 2015

Martin Rambusch
Director

Directors Report

The Directors present their report and the Financial Statements for the year ended 31 December 2014.

FUTURE DEVELOPMENTS

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

DIRECTORS

The Directors of the Company during the year were:

John Pix Weston	(Appointed 8 December 2014)
Martin Rambusch	(Appointed 29 August 2014)
Jørgen Korsgaard Jensen	(Appointed 29 August 2014)
Simon Gregory Barrell	(Appointed 8 December 2014)
Johan Blach Petersen	(Appointed 29 August 2014)
Niels Vejrup Carlsen	(Appointed 29 August 2014)
Stig Gert Ersgaard	(Appointed 29 August 2014 and Resigned 8 January 2015)

DIRECTORS' INTERESTS

	As at 31 December 2014			As at 28 May 2015		
	Ordinary Shares	Per cent	Warrants	Ordinary Shares	Per cent	Warrants
John Weston	50,000	0.13%	50,000	50,000	0.13%	50,000
Martin Rambusch	–	–	1,520,956	–	–	1,520,956
Jørgen Koragaard Jensen (held by Sinika Limited see below)	6,923,938	18.14%	–	6,923,938	18.14%	–
Simon Barrell	25,000	0.07%	25,000	25,000	0.07%	25,000
Johan Petersen (held by J Blach Petersen BD A/S see below)	1,947,286	5.10%	–	1,947,286	5.10%	–
Niels Carlsen	–	–	–	–	–	–
Stig Ersgaard (held by Investeringsselskabet af 11 august 2005, see below)	1,659,101	4.35%	–	–	–	–

SIGNIFICANT SHAREHOLDERS

Shareholders who have notified the company of shareholdings in excess of 3% as at 28 May 2015 are as follows:

	Number of ordinary shares	Percentage
SEED Capital Denmark II K/S	7,063,674	18.51%
Sinika Limited	6,923,938	18.14%
DTU Symbion Innovation A/S	4,175,333	10.94%
M.M. 26 Holding A/S	4,033,973	10.57%
Danmarks Tekniske Universitet	2,352,990	6.17%
Milton Holding Horsens A/S	2,119,400	5.55%
Artemis Investment Management LLP	2,000,000	5.24%
J Blach Petersen BD A/S	1,947,286	5.10%
Investeringsselskabet af 11 august 2005	1,659,101	4.35%

DIRECTORS' BIOGRAPHIES

John Weston (Non-Executive Chairman), aged 63

John Weston worked in the Aerospace and Defence industry for 32 years predominantly with BAE Systems plc where he ultimately became chief executive, leading a group with $20 billion in sales, employing 120,000 people, and was a member of the team credited with turning around the group's fortunes in the 1990s.

John's previous chairmanships include Acra Controls Ltd, AWS Electronics plc, Insensys plc, Inbis plc, iSOFT plc and Spirent plc and he currently acts as chairman of Fibercore, Accesso Technology Group plc and MB Aerospace Holdings Limited as well as being appointed a non-executive director of Torotrack plc.

Directors Report
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John is a Vice President of the Royal United Services Institute. He has previously served on the council of the Royal Academy of Engineering, and the Prime Minister's council for science and technology. In addition to his CBE, he is also a Commander of the Order of the Pole Star (Sweden) and a freeman of the City of London. John was educated at Trinity Hall Cambridge, where he read engineering.

Martin Rambusch (Chief Executive Officer), aged 41

Martin Rambusch has worked in the wind turbine industry for more than seventeen years. He was the chief executive of Svendborg Brakes A/S which was sold to Doughty Hanson for EUR 460 million. Prior to this he was the chief executive of Dansk Synergi A/S. He has been involved in several acquisitions and turnarounds of smaller Danish companies. He has an Executive MBA from the University of Aarhus, a diploma degree in Business Administration from the University of Odense and is a qualified Export Technician from the Technical School of Odense.

Jørgen Korsgaard Jensen (Chief Operating Officer and Founder), aged 52

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 twelve 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, which develops and markets opto/electronic sensors primarily for consumer electronic products.

Further, he is chief executive of the O-Net WaveTouch group, which develops and markets optical touch screen technologies.

The businesses of Windar Photonics and O-Net WaveTouch group were both initially created by, and are derived from businesses within, OPDI Technologies. As a result of these other positions Jørgen Korsgaard Jensen is employed by Windar Photonics on a part time basis. While he is currently employed by the Group in an executive position, the Company intends to appoint a new chief operating officer in 2015 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 operating 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 56

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.

Johan Blach Petersen (Non-Executive Director), aged 63

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 M2Film A/S, M2 Entertainment Ltd, London, Picture This Studio Ltd, Bangkok, Bila A/S, JMM Group A/S, Loevschall A/S, Trifork AG, Teknikgruppen A/S, Tuco Marine Group A/S, TrimIt A/S, Lindcon A/S Trekanten-Hestbæk A/S, Østergaard Møbelindustri A/S, Junget A/S and is a Board Member of Poul Tarp A/S, OPDI Technologies A/S, Global Car Leasing A/S, and Kinnan A/S. Prior to forming his own business he was a management consultant as well as he served as the Trade Commissioner for Denmark in Houston, Texas. Johan was educated at the Aarhus Business School, holding two business degrees: HA and HD.

Directors Report
continued

Niels Vejrup Carlsen (Non-Executive Director), aged 51

Niels Carlsen brings venture capital investment experience through his career at SEED Capital Denmark. He worked for Siemens where he spearheaded a rapid product development initiative and managed development partnerships with Apple and Microsoft. He also worked in the capacity of chief executive officer in two Danish internet startups in the media segment (Berlingske Online A/S and NetDoktor A/S). He holds a number of board positions in various companies such as Brain+, Vivino, watAgame, GoMore, Blackwood Seven, DealCircle and TRD Surfaces. He also holds a PhD in Software Engineering from the DTU and has worked with innovation, management and business development in the telecom, media and internet industries.

DIRECTORS REMUNERATION

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

	Wages and salaries €	Fees €	Pension contributions €	Total €
Year ended 31 December 2014				
Executive Directors				
Martin Rambusch	198,530	–	–	198,530
Jørgen Korsgaard Jensen	64,388	80,485	–	144,873
Non-executive Directors				
John Weston (appointed 8 December 2014)	–	5,324	–	5,324
Simon Barrell (appointed 8 December 2014)	–	2,662	–	2,662
Johan Blach Petersen	–	–	–	–
Niels Vejrup Carlsen	–	–	–	–
Stig Gert Ersgaard (resigned 8 January 2015)	–	53,657	–	53,657
Total	262,918	142,128	–	405,046
Year ended 31 December 2013*				
Executive Directors				
Martin Rambusch	144,879	–	–	144,879
Jørgen Korsgaard Jensen	85,854	–	–	85,854
Total	230,733	–	–	230,733

* Although not directors of the holding company in 2013 the above figures are disclosed as the financial statements have been prepared under merger accounting.

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.

CREDITOR PAYMENT POLICIES

The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. Payment terms for the year ended 31 December 2014 averaged 30 days (2013: 45 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. Other than for currency disclosures, the Group has taken advantage of the exemption permitting it not to treat short-term debtors and creditors as financial instruments.

Directors Report
continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Group and parent Company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit and loss of the Group for that period.

In preparing each of the Group and parent Company 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 they have been prepared in accordance with IFRS's as adopted by the EU subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and parent Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report and a Directors' Report to comply with that law and those regulations.

In determining how amounts are presented within terms in the income statement and balance sheet the Directors have had regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles or practice.

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 auditors are 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 Company's auditors are aware of that information.

A resolution to reappoint BDO LLP as auditors to the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD ON 28 May 2015

Martin Rambusch
Director

Corporate Governance Statement

Under the AIM rules the Group is not obliged to implement the provisions of the UK Corporate Governance Code ('the Code'). However, the Group is committed to applying the principles of good governance as appropriate to a Group of this size.

In common with other organisations of a similar size, the Executive Directors are 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 four 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 (Paragraph A1 of the Code).

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 (paragraph A5 of the Code).

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. (Paragraph A7 of the Code). 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.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises John Weston, Johan Blach Petersen and Simon Barrell and is chaired by Simon Barrell. The Audit Committee will meet at least twice a year and is responsible for reviewing the annual and half-yearly accounts, the system of internal controls and risk management, and the terms of appointment and remuneration of the auditors. It is also the forum through which the auditor's report to the Board. The Audit Committee is also responsible for reviewing the objectivity of the external auditors and the terms under which the external auditors are appointed to perform non-audit services.

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

Nomination Committee

The Nomination Committee comprises John Weston, Johan Blach Petersen and Simon Barrell and is chaired by John Weston. It will meet 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 John Weston, Johan Blach Petersen and Simon Barrell and is chaired by John Weston. It will meet 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.

PERFORMANCE EVALUATION

There is currently no formal performance evaluation of the board, its committees and its individual directors (paragraph A6.1 of the Code). The board will be introducing formal performance appraisals during the year.

Corporate Governance Statement
continued

COMMUNICATION WITH SHAREHOLDERS

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

In addition, all Company announcements are published on the Company'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 was to keep under review the Group's financial systems and controls and its financial reporting procedures. In fulfilling this role, the Committee received and reviews work carried out by the external auditors and their findings.

The Board had overall responsibility for operating and monitoring the system of internal control within the Group and for monitoring its effectiveness. The system includes an on-going process for identifying, evaluating and managing significant business risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system was designed to provide the directors with reasonable assurance that any material problems were 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 reviewed the effectiveness of the internal controls on an annual basis on behalf of the Board and considered that they have complied throughout the year ended 31 December 2014 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 had been 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 Financial Statements 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 Directors are heavily involved in the day to day running of the business. The directors believe that although the Company's controls may be slightly less formal than those of larger companies, the close involvement of the Executive Directors more than compensates for this.

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

The Audit Committee considered the independence and objectivity of the external auditors 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 auditors. 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 auditors' objectivity and independence. The Audit Committee also received an annual confirmation of independence from the auditors.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company 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 accounts. Further information in respect of the Director's consideration of going concern is included in note 3(c) to the financial statements.

Independent Auditor's Report

to the members of Windar Photonics Plc

We have audited the financial statements of Windar Photonics Plc for the year ended 31 December 2014 which comprise of the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and company statement of financial position, the consolidated cash flow statement, the company cash flow statement, the consolidated and company statement of changes in equity and the related notes. 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.

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

John Everingham (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom
Date 28 May 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Revenue	8	1,038,673	74,141
Cost of Goods Sold		(678,150)	(44,270)
Gross profit		360,523	29,871
Administrative expenses		(2,201,401)	(1,387,984)
Administrative expenses – Costs in respect of the Introduction and Listing on AIM		(668,724)	–
Loss from operations	9	(2,509,602)	(1,358,113)
Finance income	12	84,985	68,704
Finance expenses	12	(259,554)	(162,437)
Loss before taxation		(2,684,171)	(1,451,846)
Taxation	13	70,312	118,310
Loss for the year		(2,613,859)	(1,333,536)
Other comprehensive income			
Items that will or maybe reclassified to profit or loss:			
Exchange losses arising on translation of foreign operations		(8,440)	(245)
Total comprehensive loss for the year		(2,622,299)	(1,333,781)
Loss per share for loss attributable to the ordinary equity holders of Windar Photonics plc			
Basic, cents per share	15	(0.08)	(0.04)
Diluted, cents per share		(0.08)	(0.04)

The notes on pages 19 to 35 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 December 2014 €	31 December 2013 €
Assets			
Non-current assets			
Intangible assets	18	1,147,510	1,259,334
Property, plant & equipment	19	31,989	17,465
Deposits		15,161	10,896
Total non-current assets		1,194,660	1,287,695
Current assets			
Inventory	20	248,113	147,024
Trade receivables	21	493,283	45,726
Other receivables	21	352,092	193,666
Prepayments		13,671	5,218
Cash and cash equivalents	22	5,548,596	249,922
Total current assets		6,655,755	641,556
Total assets		7,850,415	1,929,251
Equity			
Share capital	25	487,688	411,245
Share premium	26	6,994,646	–
Merger reserve	26	2,910,866	1,551,502
Foreign currency reserve	26	(10,892)	(2,452)
Accumulated loss	26	(4,282,490)	(1,789,865)
Total equity		6,099,818	170,430
Non-current liabilities			
Convertible bonds – debt instrument	24	–	501,552
Convertible bonds – embedded derivative	24	–	297,325
Growth fund loan	24	717,064	639,610
Total non-current liabilities		717,064	1,438,487
Current liabilities			
Trade and other payables	23	913,283	165,548
Other liabilities	23	120,250	154,786
Total current liabilities		1,033,533	320,334
Total liabilities		1,750,597	1,758,821
Total equity and liabilities		7,850,415	1,929,251

The financial statements were approved and authorised for issue by the Board of Directors on 28 May 2015 and were signed below on its behalf by:

Martin Rambusch

Director

The notes on pages 19 to 35 form part of these financial statements.

Company Statement of Financial Position
As at 31 December 2014

	Note	31 December 2014 €
Assets		
Non-current assets		
Investments in subsidiaries	17	411,245
Total non-current assets		411,245
Current assets		
Other receivables	21	25,659
Intragroup receivable	21	1,445,994
Cash and cash equivalents	22	5,456,372
Total current assets		6,928,025
Total assets		7,339,270
Equity		
Share capital	25	487,688
Share premium	26	6,994,646
Foreign currency reserve	26	(7,746)
Accumulated loss	26	(681,160)
Total equity		6,793,428
Current liabilities		
Trade and other payables	23	537,856
Other liabilities	23	7,986
Total liabilities		545,842
Total equity and liabilities		7,339,270

The financial statements were approved and authorised for issue by the Board of Directors on 28 May 2015 and were signed below on its behalf by:

Martin Rambusch
Director

The notes on pages 19 to 35 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Loss for the period before tax		(2,684,171)	(1,451,846)
Adjustments for:			
Finance income	12	(84,985)	(68,704)
Finance expenses	12	259,554	162,437
Amortisation	18	319,323	307,546
Depreciation	19	7,882	5,783
Received tax credit		118,480	94,562
Foreign exchange difference		(7,643)	(245)
Warrants expense		103,107	–
		(1,968,453)	(950,467)
Movements in working capital			
Changes in inventory		(101,089)	(94,738)
Changes in receivables		(666,871)	44,432
Changes in trade payables		247,960	–
Changes in other payables		465,241	(500)
Cash flow from operations		(2,023,212)	(1,001,273)
Investing activities			
Payments for intangible assets		(207,733)	(54,807)
Payments for tangible assets		(22,387)	(8,553)
Cash flow from investing activities		(230,120)	(63,360)
Financing activities			
Proceeds from issue of share capital		7,643,977	–
Costs associated with the issue of share capital		(572,889)	–
Issue of convertible debt		737,779	806,654
Costs associated with the issue and conversion of bonds		(183,933)	–
Non cash effects on the conversion of Bonds		24,768	–
Net change in long term borrowing		77,454	–
Interest received		(259,554)	–
Interest paid		84,985	(806)
Cash flow from financing activities		7,552,587	805,848
Net increase in cash and cash equivalents		5,299,255	(258,785)
Exchange differences		(581)	(546)
Cash and cash equivalents at the beginning of the year		249,922	509,253
Cash and cash equivalents at the end of the year		5,548,596	249,922

The notes on pages 19 to 35 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 €
Loss for the period		(784,267)
Adjustments for:		
Finance income		(8,383)
Finance expenses		288
Foreign exchange difference		(7,746)
Warrants expense		103,107
		(697,001)
Movements in working capital		
Changes in receivables		(25,659)
Changes in trade payables		38,081
Changes in other payables		507,762
Cash flow from operations		(176,817)
Financing activities		
Proceeds from issue of share capital		7,643,977
Costs associated with the issue of share capital		(572,889)
Loan to subsidiary entity		(1,445,994)
Interest received		8,383
Interest paid		(288)
Cash flow from financing activities		5,633,189
Net increase in cash and cash equivalents		5,456,372
Cash and cash equivalents at the beginning of the year		–
Cash and cash equivalents at the end of the year		5,456,372

The notes on pages 19 to 35 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share Capital €	Share Premium €	Merger reserve €	Foreign currency reserve €	Accumulated Losses €	Total €
Group						
At I January 2013	411,245	–	1,551,502	(2,207)	(456,329)	1,504,211
Comprehensive loss for the year	–	–	–	–	(1,333,536)	(1,333,536)
Other comprehensive loss	–	–	–	(245)	–	(245)
At 31 December 2013	411,245	–	1,551,502	(2,452)	(1,789,865)	170,430
At 1 January 2014	411,245	–	1,551,502	(2,452)	(1,789,865)	170,430
Issue of shares on incorporation	3	–	–	–	–	3
Effects of bonds conversion in subsidiary	–	–	1,359,364	–	18,127	1,377,491
New shares issued	75,518	7,476,233	–	–	–	7,551,751
Costs associated with capital raise	–	(572,889)	–	–	–	(572,889)
New shares issued in respect of services rendered	922	91,302	–	–	–	92,224
Share option and warrant costs	–	–	–	–	103,107	103,107
Comprehensive loss for the year	–	–	–	–	(2,613,859)	(2,613,859)
Other comprehensive loss	–	–	–	(8,440)	–	(8,440)
At 31 December 2014	487,688	6,994,646	2,910,866	(10,892)	(4,282,490)	6,099,818
Company						
Issue of shares on incorporation	3	–	–	–	–	3
Shares issued on acquisition of subsidiary company	411,245	–	–	–	–	411,245
New shares issued	75,518	7,476,233	–	–	–	7,551,751
Costs associated with capital raise	–	(572,889)	–	–	–	(572,889)
New shares issued in respect of services rendered	922	91,302	–	–	–	92,224
Share option and warrant costs	–	–	–	–	103,107	103,107
Comprehensive loss for the year	–	–	–	–	(784,267)	(784,267)
Other comprehensive loss	–	–	–	(7,746)	–	(7,746)
At 31 December 2014	487,688	6,994,646	–	(7,746)	(681,160)	6,793,428

The notes on pages 19 to 35 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

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 Company was incorporated on 6 May 2014 as Windar Photonics Limited and this is the first set of financial statements prepared by the company. The Company changed its name to Windar Photonics plc on 12 December 2014.

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 though the issue of Ordinary Shares.

The Company has been listed on AIM of the London Stock Exchange on 30 March 2015. These Financial Statements were authorised for issue by the Board of Directors on the 28 May 2015.

2. Adoption of new and revised International Financial Reporting Standards

The new standards, interpretations and amendments, effective from 1 January 2014, have not had a material effect on the financial statements.

The amendments and interpretations to published standards that have an effective date on or after 1 January 2015 or later periods have not been adopted early by the Group and are not expected to materially affect the Group when they do come in to effect.

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 ordinarily viewed as continuing 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. In assessing whether the going concern assumption is appropriate, management has considered the company's existing working capital and management are of the opinion that the Group has adequate resources to undertake its planned program of activities for the 12 months from the date of approval of the consolidated financial statements.

4. Accounting policies

Basis of preparation

The consolidated financial statements comprises the consolidated financial information of the Group as at 31 December 2014 and are prepared under the historic cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below.

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.

The financial statements has 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 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.

Therefore although the companies that comprise the group did not form a legal group for the entire period of these financial statements, the current period and the comparative results comprise the result of the subsidiary as if the Group had been in existence throughout the entire period.

Windar Photonics A/S adopted IFRS for the first time in the Historical Financial Information for the three years ended 31 December 2013 as presented in the Admission Document to AIM dated 24 March 2015. As Windar Photonic plc is a continuation of the business of Windar Photonics A/S as reflected in the merger accounting principle and therefore the Group is not deemed to be a first time adopter of IFRS in these financial statements.

Notes to the Financial Statements
continued

4. Accounting policies *continued*

Functional and presentational 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 Pounds Sterling (GBP) for the Parent Company and € for Windar Photonics A/S. The Financial Statements have been presented in €'s which represent the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. The functional currency of the Group is € and all amounts are presented in the functional currency.

Revenue

Revenue arises from the sale of the product WindEye™, which is an apparatus that measures windspeed and direction via LIDAR. Revenue is recognised exclusive of VAT and other taxes when products are shipped in accordance with the terms of the contractual arrangement.

Foreign currency

Transactions entered into 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 and is included under administrative expenses.

Segment reporting

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

Financial assets and liabilities

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets at fair value through profit or loss, as available for sale or held to maturity.

The accounting policy for loans and receivables are as follows:

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term investments with original maturities of three months or less.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the Financial Statements
continued

4. Accounting policies *continued*

The accounting policy for other financial liabilities is as follows:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The proceeds received on issue of the Group's convertible loan notes are split in to two components; contractual cash flows and the conversion feature. If the conversion feature has an obligation to issue a variable number of shares it is classified as an embedded derivative liability and measured at fair value with changes in value being recorded in the income statement. The contractual cash flows are classified as a financial liability and on initial measurement is the residual value of the loan note and embedded derivative and is subsequently carried at amortised cost using the effective interest rate.

IFRS 13 fair value measurement

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements are required/used.

IFRS 13 requires certain disclosures which require the classification of assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 6). The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Assets and liabilities are classified in their entirety into only one of the three levels.

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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, if any, pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other 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.

Notes to the Financial Statements
continued

4. Accounting policies *continued*

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Dividends

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

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal.

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

Plant and equipment over 3 – 5 years

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

Intangible assets – Development project

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.

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

Development projects are amortised over 5 years. Amortisation has not been initiated until 2013, as the assets had not been considered available for commercial use until then.

Notes to the Financial Statements
continued

4. Accounting policies *continued*

Inventory

Cost of raw materials and con¬sumables consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance and depreciation and impairment losses on machinery and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost. The net realisable value of inventories 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.

Government grants

Government 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.

Government grants are recognised 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.

Government 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.

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 2014 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.

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 fair 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 fair 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 judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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.

(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. More details including carrying values are included in notes.

(b) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

Notes to the Financial Statements
continued

6. Critical accounting estimates and judgements *continued*

Where Level 1 inputs are not available, the Group uses appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in respective notes.

(c) Warranty provision

The group makes provision for potential warranty claims as a percentage of the revenue in respect of contracts where warranties are given. 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.

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
- Other market price 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, and Trade and other payables. Windar Photonics A/S obtained convertible bonds from existing shareholders in June 2013 and in March 2014. The bonds included an option to convert the bonds into shares if some conditions were met. This option has been measured at fair value at hierarchy level 3 and all convertible bonds were converted on 29 August 2014, see note 24.

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 has in 2014 received quarterly reports and will in 2015 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. The Group seeks to receive prepayments for all orders, and are in the process of negotiating contracts with major customers which also includes negotiating payment terms. Credit risks will arise as some of the customers demand credit. However, the customers are primarily large Windmill manufacturers or large Windmill utility providers where the risk of bankruptcy or other financial difficulties is low, hence the Group's exposure to credit risk from trade and other receivables is considered insignificant.

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

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

Notes to the Financial Statements
continued

7. Financial instruments – Risk Management *continued*

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

The Group obtained a bullet loan from Vækstfonden during the period ended 31 December 2012 in the amount of €0,6 million at an interest rate of 12 per cent p.a.

The Group issued convertible bonds to existing shareholders in the amount of €0,8 million in June 2013 and again in March 2014 in the amount of €0,7 million. All bonds issued at a rate of 8 per cent p.a. In June 2014 all convertible bonds were converted into ordinary shares. See note 24.

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 subsidiaries 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 in the year will 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.

Liquidity risk

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

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

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

	Up to 3 months €	Between 3 and 12 months €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
At 31 December 2014					
Trade payables	413,508	–	–	–	–
Other payables	120,250	–	–	–	–
Total financial liabilities	533,758	–	–	–	–

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

Notes to the Financial Statements
continued

7. Financial instruments – Risk Management *continued*

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 arises from:

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Sale of goods	1,038,673	74,141

9. Loss from operations

Loss from operations is stated after:

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Staff costs (note 11)	972,331	623,292
Expensed research and development costs	374,399	473,273
Amortisation	319,323	307,546
Depreciation	7,882	5,783
Remuneration received by the group's auditor or associates of the Group's auditor:		
– Audit of parent company	6,317	–
– Audit of consolidated financial statements	12,634	–
– Audit of overseas subsidiaries	22,804	5,849
– Corporate finance costs	142,451	–
– Taxation	–	2,178
– Other	–	2,341
Cost in respect of the Introduction and Listing on AIM* (see note 28)	526,273	–

* excluding costs payable to the Group's auditor.

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.

In 2014, one customer accounted for more than 10 per cent of the revenue. The total amount of revenue from this customer amounted to 78 per cent of the revenue (2013: 5 customers who each accounted for more than 10 per cent and in aggregate totaling 91 per cent of total revenue).

Notes to the Financial Statements
continued

10. Segment information *continued*

Revenue by geographical location

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Europe	48,842	63,148
Americas	126,541	10,993
Asia	863,290	–
Revenue	1,038,673	74,141

11. Directors and employees

	2014		2013	
	Average	Year end	Average	Year end
Number of employees				
Selling and distribution	5	6	2	2
Research and development	8	9	3	6
Production	1	2	–	1
Administration	3	4	2	2
	17	21	7	11

	2014 €	2013 €
Staff costs		
Wages and salaries	849,749	618,225
Social security costs	19,475	5,067
	869,224	623,292
Warrant costs	103,107	–
	972,331	623,292

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 executive directors of the company.

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

	Wages and salaries €	Fair value of warrant costs €	Pension contributions €	Total €
Year ended 31 December 2014				
Executive Directors	262,918	102,720	–	365,638
Year ended 31 December 2013				
Executive Directors	230,733	–	–	230,733

Notes to the Financial Statements
continued

12. Finance income and expense

Finance income

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Fair value adjustments on derivatives	84,985	68,704
Finance income	84,985	68,704

Finance expense

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Interest expense on financial liabilities measured at amortised cost	(259,554)	(162,437)
Finance expense	(259,554)	(162,437)

13. Income tax

		Year ended 31 December 2014 €	Year ended 31 December 2013 €
(a)	The tax credit for the year:		
	Corporation tax	(70,312)	(118,310)
(b)	Tax reconciliation		
	Loss on ordinary activities before tax	(2,684,171)	(1,451,846)
	Loss on ordinary activities at the UK standard rate of corporation tax 20%	(536,834)	(290,369)
	Effects of:		
	Expenses non deductible for tax purposes	86,533	128,643
	Unutilised tax losses	441,648	161,726
	Different tax rates applied in overseas jurisdictions	8,653	–
	Tax credit on research and development	(70,312)	(118,310)
	Tax credit for the year	(70,312)	(118,310)

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

(c) Factors which may affect future tax charges

In view of the tax losses carried forward there is a deferred tax amount of approximately €754,198 (2013: €312,550) which has not been recognised in these Financial Statements. This contingent asset will be realised when the Group makes sufficient taxable profits in the relevant Company.

(d) Deferred tax – Company

In view of the tax losses carried forward there is a deferred tax amount of approximately €156,853 (2013: €Nil) which has not been recognised in these Financial Statements. This contingent asset will be realised when the company can demonstrate future profit against which the losses will be able to be used.

14. Result in Windar Photonics plc

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The Company's loss after costs in relation to the acquisition of subsidiaries for the financial year is €784,267 which is dealt with in the financial statements of the parent Company.

Notes to the Financial Statements
continued

15. 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 2014 €	Year ended 31 December 2013 €
Loss for the year	(2,613,859)	(1,333,536)
Weighted average number of ordinary shares for the purpose of basic earnings per share	33,317,654	32,184,002
Basic loss, cents per share	(0.08)	(0.04)
Diluted loss, cents per share	(0.08)	(0.04)

There is no dilutive effect of the warrants as the dilution would be negative.

16. Dividends

No dividends were proposed by the Group during the period under review.

17. Investment in Subsidiaries

	€
Company	
At 1 January 2014	–
Acquired in the year	411,245
As at 31 December 2014	411,245

The principal 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 1 and 4, are as follows:

Name	Country of incorporation	Ownership	Nature of business
Windar Photonics A/S	Denmark	100%	Develop and commercialise wind turbine technology
Windar Photonics Inc	USA	100% indirect	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.

Windar Photonics A/S owns 100 per cent. of the issued common stock of Windar Photonics Inc. (comprising one hundred shares of common stock). Windar Photonics Inc. was incorporated on 18 August 2014 in the State of Delaware.

Notes to the Financial Statements
continued

18. Intangible assets

Group	Development projects €
Cost	
At 1 January 2013	1,512,442
Additions	54,784
Exchange differences	75
At 31 December 2013	1,567,301
Additions	207,733
Exchange differences	174
At 31 December 2014	1,775,208
Accumulated amortisation	
At 1 January 2013	–
Charge for the period	307,546
Exchange differences	421
At 31 December 2013	307,967
Charge for the period	319,323
Exchange differences	408
At 31 December 2014	627,698
Net carrying value	
At 31 December 2013	1,259,334
At 31 December 2014	1,147,510

Notes to the Financial Statements
continued

19. Property, plant & equipment

Group	Plant and equipment €
Cost	
At 1 January 2013	20,495
Additions	8,541
Exchange differences	11
At 31 December 2013	29,047
Additions	22,387
Exchange differences	29
At 31 December 2014	51,463
Accumulated depreciation	
At 1 January 2013	5,791
Charge for the year	5,783
Exchange differences	8
At 31 December 2013	11,582
Charge for the year	7,882
Exchange differences	10
At 31 December 2014	19,474
Net carrying value	
At 31 December 2013	17,465
At 31 December 2014	31,989

20. Inventory

	Group	
	As at 31 December 2014 €	As at 31 December 2013 €
Raw material	10,992	–
Goods in progress	93,578	134,934
Finished goods	143,543	12,090
Inventory	248,113	147,024

Notes to the Financial Statements
continued

21. Trade and other receivables

	Group		Company	
	As at 31 December 2014 €	As at 31 December 2013 €	As at 31 December 2014 €	As at 31 December 2013 €
Trade receivables	493,283	45,726	–	–
Less: provision for impairment of trade receivables	–	–	–	–
Trade receivables – net	493,283	45,726	–	–
Tax receivables	70,407	118,480	–	–
Intragroup receivables	–	–	1,445,994	–
Other receivables	281,685	75,186	25,659	–
Total other receivables	352,092	193,666	1,471,653	–
Total trade and other receivables	845,375	239,392	1,471,653	–
Classified as follows:				
Current Portion	845,375	239,392	1,471,653	–

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.

As of 31 December 2014, no trade receivables were past due but not impaired, nor were any past due and impaired.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

22. 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 2014 €	As at 31 December 2013 €	As at 31 December 2014 €	As at 31 December 2013 €
Cash at bank	5,548,596	249,922	5,456,372	–
Cash and cash equivalents	5,548,596	249,922	5,456,372	–

23. Trade and other payables

	Group		Company	
	As at 31 December 2014 €	As at 31 December 2013 €	As at 31 December 2014 €	As at 31 December 2013 €
Trade payables	913,283	165,548	537,856	–
Other payables	120,250	154,786	7,986	–
Total financial liabilities classified as financial liabilities measured at amortised cost	1,033,533	320,334	545,842	–
Classified as follows:				
Current Portion	1,033,533	320,334	545,842	–

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.

Notes to the Financial Statements
continued

23. Trade and other payables *continued*

Maturity analysis of the financial liabilities, classified as financial liabilities measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

	Group		Company	
	As at 31 December 2014 €	As at 31 December 2013 €	As at 31 December 2014 €	As at 31 December 2013 €
Up to 3 months	1,033,598	320,334	545,842	–

24. Borrowings

The carrying value and fair value of the Groups borrowings are as follows:

	Group	
	As at 31 December 2014 €	As at 31 December 2013 €
Growth Fund	717,064	639,610
Convertible bonds – debt instrument	–	501,552
Convertible bonds – embedded derivative	–	297,325
Total financial assets other than cash and cash equivalents classified as loans and receivables	717,064	1,438,487

The Growth Fund borrowing from the Danish public institution, Vækstfonden, bears interest at a 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 8 per cent in the repayment period.

The convertible bonds were issued in June 2013 (nominal €0.8 million) and in March 2014 (nominal €0.7 million). The bonds included an option for the bondholders to convert the bonds into shares in Windar Photonics A/S at a discounted share price by either 30 per cent or 50 per cent if, and only if, the company issued shares to non-existing shareholders. This happened on 30 June 2014, and all bonds were converted into shares in Windar Photonics A/S at a discount of 30 per cent.

The financial liability consists of two components – a component of debt and a component of an embedded derivative. At recognition the embedded derivative is recognised at fair value and the debt instrument is valued as a residual between the nominal value and the value of the embedded derivative. After recognition, the embedded derivative is measured at fair value and the debt is amortized according to initial value.

The fair value of the embedded derivative is determined by the discount rate and a probability factor set by management (level 3).

The measurement of the embedded derivative part 1 was as follows:

	Potential gain €	Probability	Weighted €	Risk-free rate	Fair value €
Embedded derivative					
30% discount intrinsic value	345,236	60%	207,142	0.50%	206,111
50% discount intrinsic value	805,550	20%	161,110	0.50%	159,511
No capital intrinsic value	–	20%	–	0.50%	–
Embedded derivative value					365,622
Debt instrument value					439,928
Compound instrument/whole convertible bond					805,550

Accordingly, the debt instrument part 1 was amortised at a rate of 42 per cent p.a.

Notes to the Financial Statements
continued

24 Borrowings *continued*

On 31 December 2013, the measurement of the embedded derivative part 1 was as follows:

	Potential gain €	Probability	Weighted €	Risk-free rate	Fair value €
Embedded derivative					
30% discount intrinsic value	345,709	40%	138,284	0.50%	137,595
50% discount intrinsic value	806,654	20%	161,331	0.50%	159,730
No capital intrinsic value	–	40%	–	0.50%	–
Embedded derivative value					297,325
Finance expense, fair value adjustments					(68,798)

The measurement of the embedded derivative part 2 was as follows:

	Potential gain €	Probability	Weighted €	Risk-free rate	Fair value €
Embedded derivative					
30% discount intrinsic value	316,191	50%	158,096	0.50%	157,309
50% discount intrinsic value	737,780	40%	295,112	0.50%	292,183
No capital intrinsic value	–	10%	–	0.50%	–
Embedded derivative value					449,492
Debt instrument value					288,288
Compound instrument/whole convertible bond					737,780

Accordingly, the debt instrument part 2 is amortised at a rate of 90 per cent p.a.

On 30 June 2014, the bonds were converted and the measurement of the embedded derivatives was as follows:

	Potential gain €	Probability	Fair value €
Embedded derivative			
Part 1: 30% discount intrinsic value	345,236	100%	345,236
Part 2: 30% discount intrinsic value	316,204	100%	316,204
Embedded derivative value			661,440
Finance income, fair value adjustments			(84,985)

The Company had no borrowings.

25. Share capital

At the date of incorporation, the issued share capital of the Company was £2.00 divided into 2 ordinary shares of £1.00 each in the capital of the Company, both of which were fully paid or credited as fully paid to their subscribers.

On 29 July 2014, the 2 ordinary shares of £1.00 each (being all the issued capital in the Company) were subdivided into 200 ordinary shares of 1 pence each.

Between 29 August 2014 and 12 December 2014 (inclusive), the Company issued 38,166,177 Ordinary Shares as follows:

32,184,002 Ordinary Shares in consideration for the transfer to the Company of the entire issued share capital in the Windar Photonics A/S pursuant to the terms of the Share Swap Agreement;

5,910,000 Ordinary Shares in consideration for cash received by the Company; and

72,175 Ordinary Shares in consideration for the satisfaction of fees payable to West Hill Capital LLP.

Notes to the Financial Statements
continued

25. Share capital *continued*

	Number of shares	€
On incorporation shares of £1	2	3
29 July 2014 subdivided into shares of 1p	200	3
Issue of shares in respect of transfer of shares of Windar Photonics A/S	32,184,002	411,245
Issue of shares for cash	5,910,000	75,518
Issue of shares for the satisfaction of fees	72,175	922
Shares at 31 December 2014	38,166,377	487,688

At 31 December 2014 the share capital comprises 38,166,377 shares of 1 pence each.

Warrants

Warrants are granted to Directors and employees. In 2014, warrants has been issued to Martin Rambusch, John Weston and Simon Barrell, all Directors in the Company. The warrants are exercisable immediately from time of grant and lapse at 31 December 2017. The Group has no legal or constructive obligation to repurchase or settle the warrants in cash.

Warrants are valued using the Black-Scholes pricing model and no performance conditions are included in the fair value calculations. 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 100 pence. During the year the Company issued the following warrants:

Number of warrants				
At 31 December 2013	Granted	At 31 December 2014	Exercise price (£ pence)	Exercise date
–	1,520,956	1,520,956	35.44	29/08/14 to 31/12/17
–	75,000	75,000	100	08/12/14 to 31/12/17
–	1,595,956	1,595,956		

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	Represents the share capital and share related movements of Windar Photonics A/S.
Currency exchange reserve	Gains and losses on the exchange differences between the functional currencies and the reporting currency €.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

27. Contingencies and Commitments

The Group has no contingencies and commitments.

28. Events after the reporting date

On 30 March 2015 the Company listed on the AIM market of the London Stock Exchange.

Notice of Annual General Meeting

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

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of Windar Photonics plc (the "Company") will be held at the offices of Sanlam Securities UK Limited, 10 King William Street, London EC4N 7TW at 10.30 a.m. on 26 June 2015 for the purpose of considering and, if thought fit, passing the resolutions below.

Resolution 12 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 2014 together with the Directors' report and the auditors' report on those accounts.

2. To re-elect J P Weston, who retires 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 M Rambusch, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

4. To re-elect J K Jensen, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

5. To re-elect S G Barrell, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

6. To re-elect J B Petersen, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

7. To re-elect N V Carlsen, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

8. To re-appoint BDO 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.

9. To authorise the Directors to fix the remuneration of the auditors.

10. To approve a new long term incentive plan, the 2015 Enterprise Management Incentive Plan ("EMI"), to be introduced to provide a mechanism to provide key executives and senior management with an equity incentive in the Company. The rules of the EMI produced in draft to this meeting (a summary of the main features are set out in Appendix 1 to this document), and for the purposes of identification, initialed by the chairman, be approved.

11. 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 £134,511, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 30 June 2016 (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).

Notice of Annual General Meeting
continued

As a Special Resolution

12. That, subject to the passing of resolution 11 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 11, as if section 561(1) CA 2006 did not apply to any such allotment, provided that the power was:

    1. limited to the allotment of equity securities in connection with an offer of equity securities:

        a. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        b. to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary;

    2. limited to the allotment of equity securities up to an aggregate nominal amount of £20,176,

    and shall expire on the earlier of the conclusion of the next annual general meeting and 30 June 2016 (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 28 May 2015

By Order of the Board

Martin Rambusch
Director

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

Registered Number: 09024532

Notice of Annual General Meeting
continued

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 11 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 12 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 2-7: Re-election of directors

The Company's articles all Directors to retire at the first AGM and the board proposes them for re-election as Directors of the Company. Biographical details of all directors can be found on pages 6 to 8 of the 2014 annual report.

Resolutions 8 and 9: 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 8 proposes BDO LLP's reappointment and Resolution 9 authorises the Directors to determine their remuneration.

Resolution 10: Long term incentive plan

The Board believes that a long term incentive plan is an important part of its remuneration policy. It provides executives and senior management with an opportunity to align their interests with shareholders in a direct way by rewarding them for delivering improvement in the Company's financial performance and share price growth. The EMI proposed is consistent with market practice for companies of comparable size.

Participation in the EMI will be at the discretion of the Company's Remuneration Committee. It is intended that, as selected Executive Directors and senior managers would be eligible to participate. To enable the Company to implement the EMI and to have the ability to issue new shares, the approval of shareholders is required.

It is intended that the EMI will be the main share incentive and used to grant market value share options. EMI is a tax favoured UK plan. There are currently no plans to grant awards to UK participants but the EMI offers a tax favoured method if required. The plan will be used to grant options to employees in other jurisdictions with the first grants anticipated to be made to employees in China, Denmark and the United States. The board will obtain specific, local country advice before awards are made. Where possible and cost efficient the Board will consider if it is feasible to implement tax favoured and country specific sub plans under the main EMI plan. The EMI Plan will allow the grant of options that qualify for favourable UK tax treatment under the provisions of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 5").

The EMI enables selected employees and Directors of the Company and its subsidiaries to be granted share options ("Options") over ordinary shares in the capital of the Company. Options granted under the EMI will not be transferable. Only the person to whom the Option is granted or his or her personal representatives may acquire ordinary shares pursuant to Options. Benefits under the EMI are not pensionable.

Further details are contained in Appendix 1.

Resolution 11: 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 £134,511, which is equal to 35.2% 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 2016 (whichever is the earlier).

Resolution 12: 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 £20,176, which will be equal to 5.3% of the nominal value of the current issued share capital of the Company, assuming resolution 11 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 2016 (whichever is the earlier).

Notice of Annual General Meeting
continued

Notes

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. A proxy need not be a member of the Company but must attend the meeting to represent you.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact Share Registrars on 01252 821390, overseas callers should call +44 1252 821390.
3. A Form of Proxy is enclosed. To be effective, the Form of Proxy together with any power of attorney or other written authority under which it is signed, or a notarially 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, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, or by scan and email to Share Registrars at proxies@shareregistrars.uk.com, not later than 10.30 a.m. on 24 June 2015.
4. Completion and return of a Form of Proxy will not prevent a member from attending and voting in person if he or she so wishes.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company's register of members not less than 48 hours before the time of the meeting or, in the event that the meeting is adjourned, on the Register of Members of the Company not less than 48 hours before the time of any adjourned meeting, and only such members shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 10.30 a.m. on 24 June 2015 or, in the event that the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
8. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote' in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact Share Registrars (see note 3 above). If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. In order to revoke a proxy instruction, you will need to inform the Company using one of the following methods:

    By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Ltd, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. 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 10.30 a.m. on 24 June 2015.

    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, Staffordshiren 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 38,166,377 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 38,166,377.

Notice of Annual General Meeting
continued

APPENDIX 1

2015 Enterprise Management Incentive Plan ("EMI")

The Board believes that a long term incentive plan is an important part of its remuneration policy. It provides executives and senior management with an opportunity to align their interests with shareholders in a direct way by rewarding them for delivering improvement in the Company's financial performance and share price growth.

Key aspects of the EMI are that:

- Awards under the EMI will give participants an option to acquire shares in future, conditional on the achievement of time and performance targets as deemed appropriate by the Remuneration Committee;
- Awards will be typically granted subject to a market value exercise price set based on the average closing price of an ordinary share on AIM for the ten dealing days prior to the date of grant;
- The EMI will allow new shares to be issued to satisfy options, subject to limits on dilution set at 10 per cent of the then existing issued ordinary share capital for all the Company's employee share incentive arrangements considered together;
- The intention is the awards will normally vest after three years and be exercised before the tenth anniversary of grant, subject to continued employment; and
- The EMI will have a 10-year life for making grants.

The Remuneration Committee has considered the merits of alternative measures of long term performance and has concluded that a time based approach is the most appropriate measure in this case.

As such, the Board proposes to adopt the EMI.

If the Annual General Meeting approves the adoption of the EMI, it is intended that options will be granted following announcement of the Company's interim results. In future, options will normally be granted either following the announcement of annual or interim results. The Remuneration Committee will have the flexibility to grant options at other times in exceptional circumstances, and such grants could be made at any time after the EMI has been adopted.

The EMI enables selected employees and Directors of the Company and its subsidiaries to be granted share options ("Options") over ordinary shares in the capital of the Company. Options granted under the EMI will not be transferable. Only the person to whom the Option is granted or his or her personal representatives may acquire ordinary shares pursuant to Options. Benefits under the EMI are not pensionable.

(a) Administration

Overall responsibility for the operation and administration of the EMI will be vested in the Remuneration Committee.

(b) Eligibility

A participant must be an employee or an executive director of the Company or any of its subsidiaries ("the Group"). The Remuneration Committee can exercise its discretion in selecting the executives and employees to whom Options are to be granted under the EMI.

(c) Grant of Options

Options may be granted at any time other than when dealing is not permitted under the Model Code or there are other restrictions on dealings in ordinary shares. No payment will be made for the grant of an Option. No Options will be granted after the tenth anniversary of the date of adoption of the EMI.

(d) Form of Options

Options granted under the EMI may be granted either with an exercise price equal to the market value of a Share at the date of grant, or with a nil (or nominal) exercise price. The Options may be options to subscribe for new ordinary shares [or options to purchase existing ordinary shares from an employees' trust].The participant will have no shareholder rights until such time as he is able to exercise the Option and acquire ordinary shares.

Notice of Annual General Meeting
continued

(e) Size of Option grants/plan limits

Options shall be granted under, and comply with, the HMRC rules. This confers tax benefits on Options up to a certain threshold. That threshold is currently such that when an employee has received and holds Options with a value at grant of £250,000 or more, he may not have any further options for three years. In the event that this threshold is exceeded or the Company ceases to satisfy the qualifying conditions, unapproved options may instead be granted under the EMI.

[In any ten year period there is a limit, of 10% of the issued share capital of the Company from time to time, on the number of new ordinary shares which are issued or may be issued in connection with options granted under any share option plan operated by the company. This includes the options already granted. Ordinary shares issued out of treasury or to the trustee of an employees' trust count towards these limits on the issue of new ordinary shares. No account will be taken of ordinary shares which an employees' trust purchases at market value.

(f) Vesting of Options

If a participant leaves employment for any reason, his Option will generally lapse unless the Remuneration Committee exercises its discretion to allow exercise. On a change of control of the Company or a resolution for its voluntary winding-up, performance periods will immediately cease. Subject to the Remuneration Committee's determination of the company's performance at that time, Options may vest, normally in proportion to the extent to which the performance conditions have been met before the change of control or the passing of the resolution, as the case may be.

(g) Performance targets

The Remuneration Committee may impose appropriate performance targets.

(h) Rights attaching to Ordinary Shares

Ordinary shares issued in connection with the exercise of Options will rank equally with all other ordinary shares then in issue (save as regards any rights attaching to ordinary shares by reference to a record date prior to entry of the shares on the register of shareholders). Application will be made for admission to trading on AIM of new ordinary shares issued.

(i) Variation of share capital

If there is any alteration of the issued share capital of the Company, the ordinary shares subject to an Option will be subject to adjustments. The Remuneration Committee may adjust Options in such manner as it determines to be appropriate.

Shareholder Notes

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