ANNUAL REPORT 2018

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2018

WINDAR PHOTONICS

CONTENTS

MISSION STATEMENT

Windar Photonics' mission is to become the world's leading manufacturer of LiDAR-based optimisation technology for the wind energy industry.

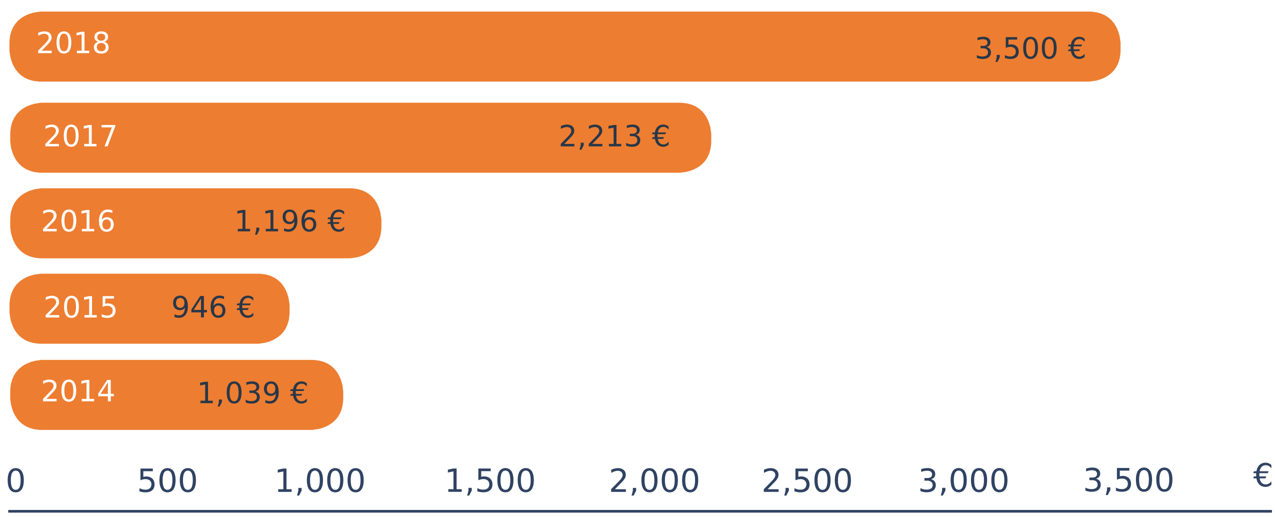
The Company, which is already a partner of choice for Independent Power Providers ('IPPs') and wind turbine Original Equipment Manufacturers ('OEMs'), aims to achieve this by:

- Leveraging its first mover advantage in applying LiDAR sensors to reduce maintenance costs and increase the annual energy production from wind energy projects by up to 4%
- Maintaining the low price point of its technology compared to other non-LiDAR solutions in the market, providing fast payback times for a low initial investment
- Investing continuously in R&D, developing new features and expanding the optimisation possibilities for individual wind turbines

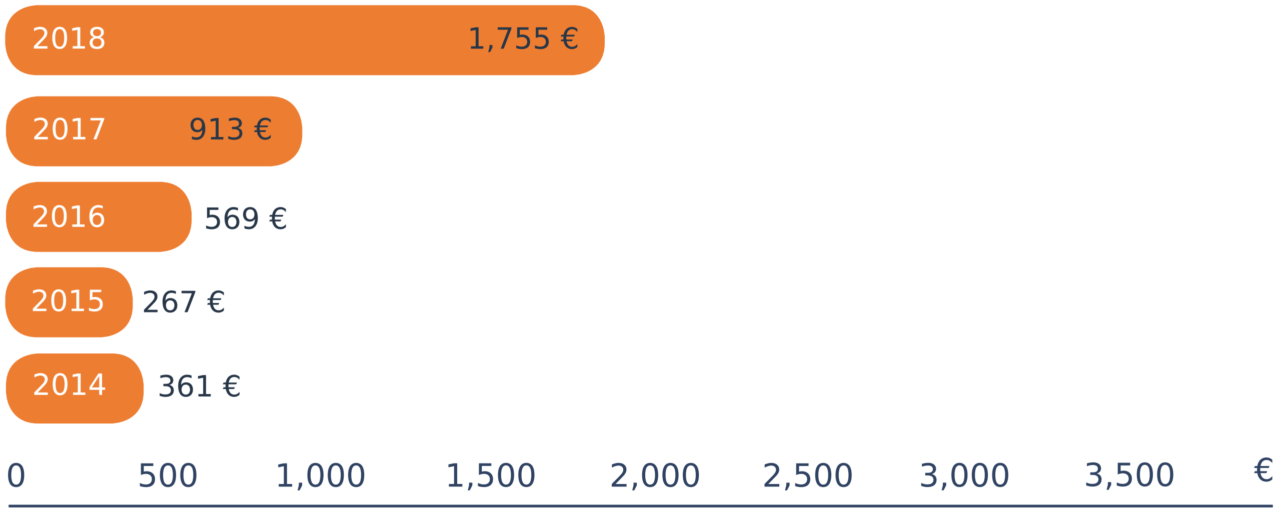
FINANCIAL HIGHLIGHTS

- 59% increase in Revenue to €3.5 million
- 92% lift in Gross Profit to €1.755 million
- Continued focus on operational cost control, resulting in a reduced net EBITDA Loss to €0.39 million
- Cash Position of €1.7 million
- Reduced Operating Expenses to €2.11 million
- Raised €2.5 million via Placing
- Secured new distribution partner, Vestas - leading turbine maintenance company

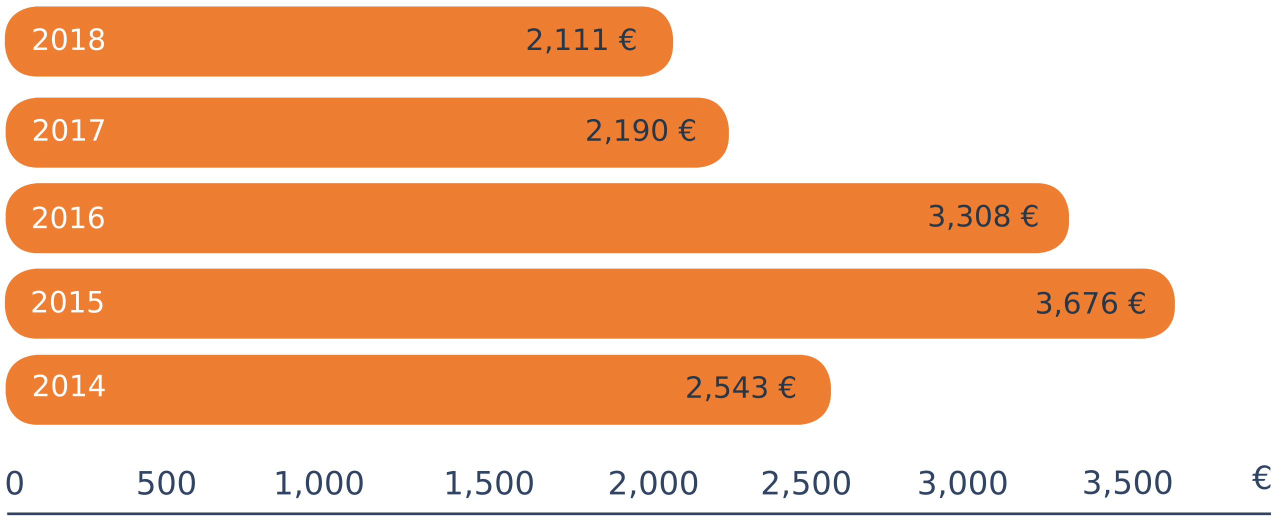
Revenue, Euro ´000



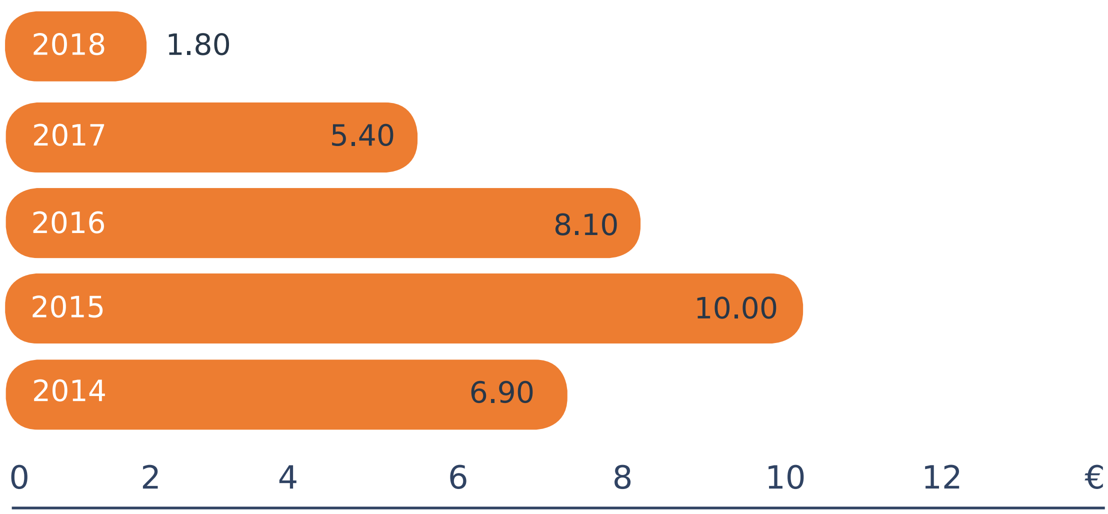
Gross Profit, Euro ´000



Operating Expenses, Euro ´000



Loss per Share, € cents per Share



BUSINESS MODEL AND SALES STRATEGY

Windar Photonics has two products, which serve two core customer groups: wind turbine OEMs and IPPs. The core solutions deliver on the demand from asset owners for technology which maximises returns through:

- Increasing the efficiency of extracting energy from wind
- Increasing the efficiency and lifetime of the turbines through load reductions
- Reducing maintenance costs

OEM Market - WindVISION™

Focused on securing multiple OEM customers which will integrate Windar's WindVISION™ sensor as standard on new wind turbines.

Windar adopts a direct sales approach to this market segment.

Integration projects for WindVISION™ are already on-going with the majority of the top 10 global OEM.

With 23-25,000 turbines produced per year, the OEM market represents a significant opportunity.

Retrofit Market - WindEYE™

Selling WindEYE™ via distribution partners to be retrofitted onto installed wind turbines owned by IPPs.

WindEYE™ is already used by 10 of the top 25 global IPPs.

Retrofit market total potential market represents c. 220,000 units.

5 Year Target

To be the dominant wind optimisation technology and expand into new industries such as aviation and marine, but not automobile.

3 Year Target

Become the standard on one third of all new wind turbines & retrofit a minimum of 2% p.a. of the total retrofit market.

12-18 Month Target

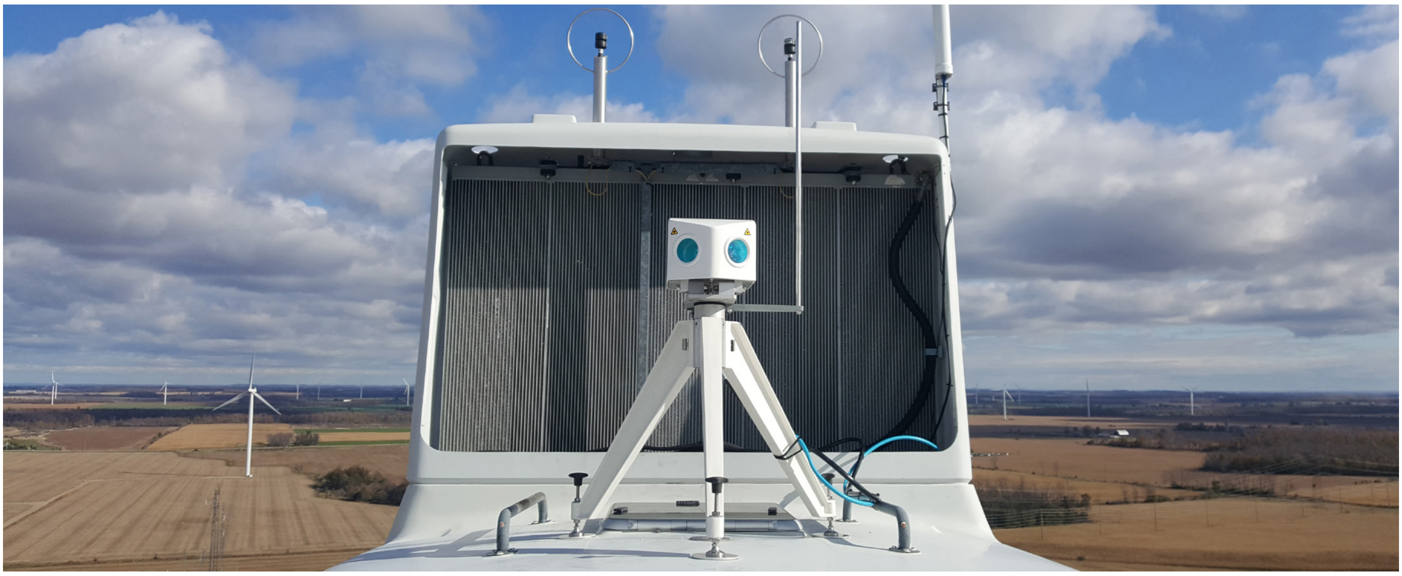
Secure at least 2 OEM customers which provide LiDAR sensors as standard on new wind turbines.

GLOBAL LOCATIONS

Windar Photonics´ main office is located in Taastrup, Denmark, where the technology behind the products is being developed and the units manufactured.

Windar is likewise locally present in Shanghai, China, with local technical and sales representation that is working closely with our Windar Photonics' Chinese distributors. The remaining global markets are being serviced via local distributors and via a global distribution agreement with Vestas Wind Systems' multibrand division.

THE MARKET



Currently, installed wind capacity sits at nearly 600GW. Installed capacity is forecast to grow by over 55GW each year until 2023, bringing the total amount of installed capacity to c. 900GW. Assuming an average turbine size of 2.5MW, this corresponds to c. 25,000 turbines per year.

In 2018, 51.3GW of wind capacity was installed globally. New onshore wind installations reached 46.8GW and new offshore wind installations totalled 4.5GW.

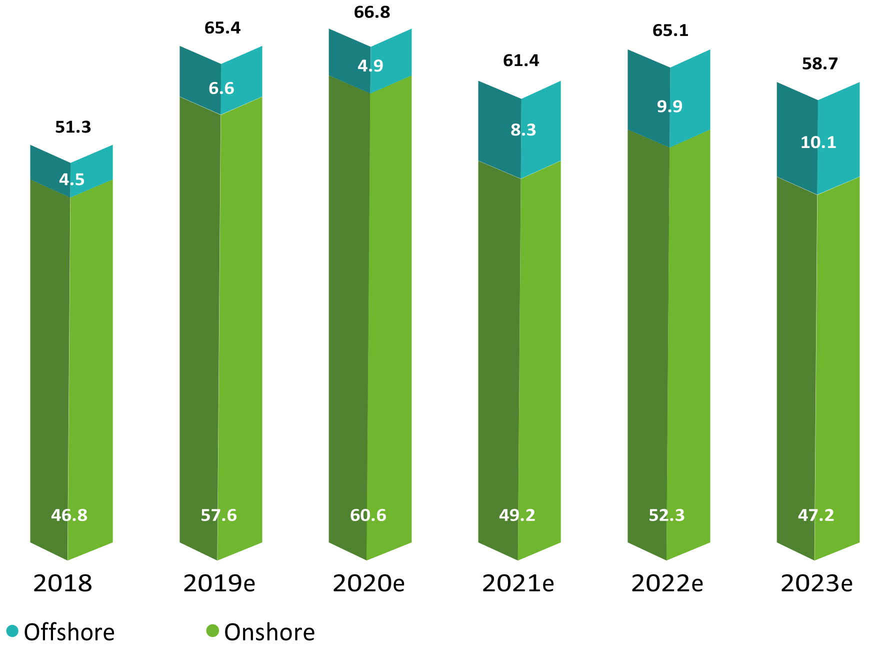
China and North America continue to dominate the global wind market. For the year 2018, 21.2GW were installed in China alone, bringing the total capacity installed at the end of the year to 206GW. North America installed 7.6GW of new onshore projects, bringing the total to 96GW.

Germany, India and Brazil also sit in the top five wind markets for 2018.

MARKET FORECAST 2018-2023

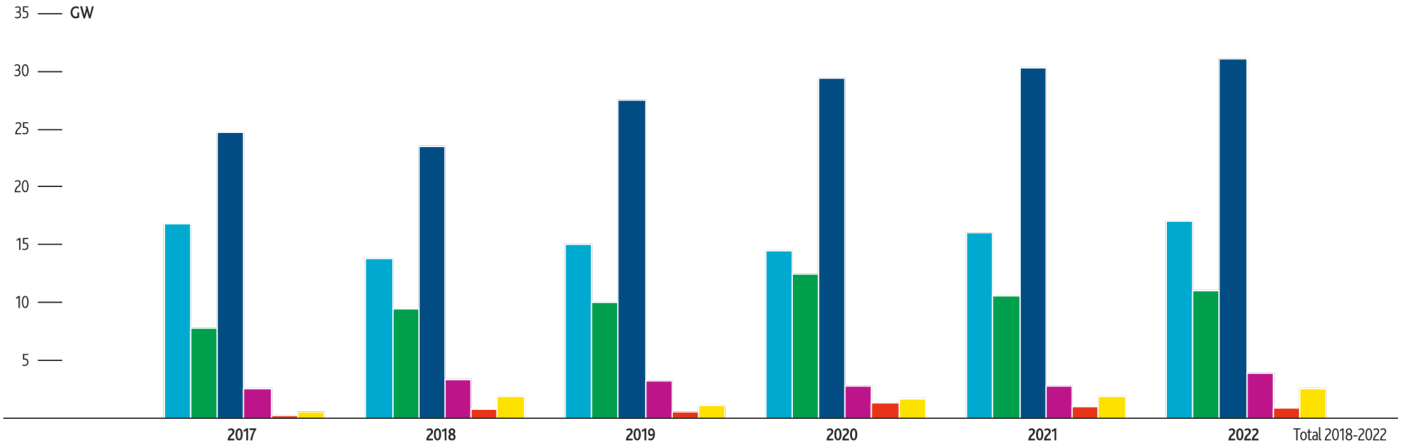
New installations outlook
GW onshore

CA GR 2.7%



SOURCE: GWEC | GLOBAL WIND REPORT 2018

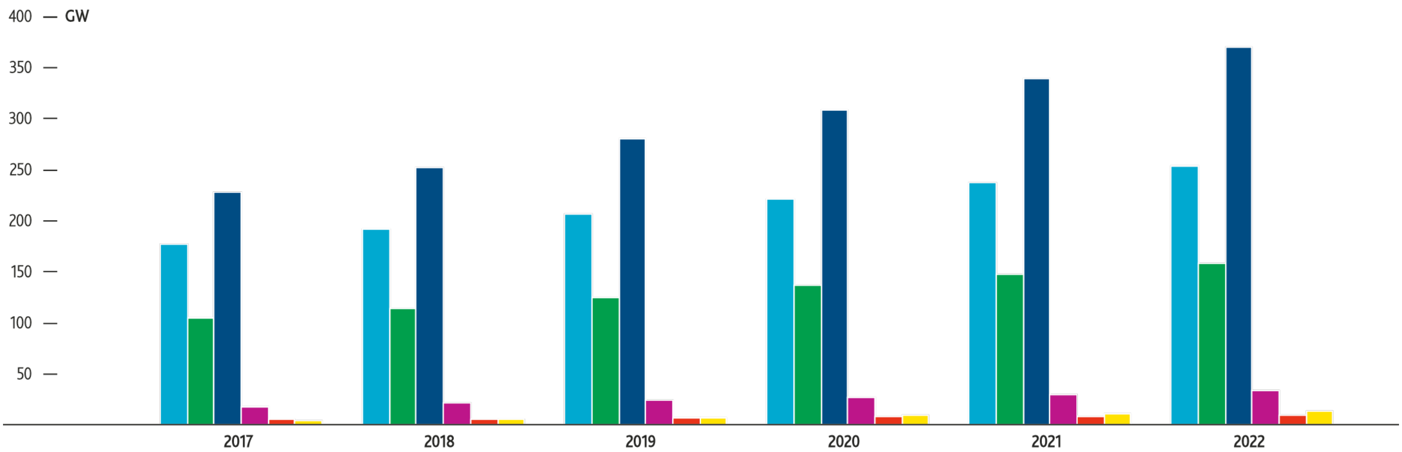
ANNUAL MARKET FORECAST BY REGION 2018-2022 (GW)



	2017	2018	2019	2020	2021	2022	Total 2018-2022
Europe	16.8	13.8	15.0	14.5	16.0	17.0	**76.3**
North America	7.8	9.5	10.0	12.5	10.6	11.0	**53.6**
Asia	24.4	23.5	27.5	29.4	30.3	31.1	**141.7**
Latin America	2.6	3.4	3.3	2.9	2.8	3.9	**16.3**
Pacific	0.3	0.8	0.6	1.4	1.0	0.9	**4.7**
Middle East & Africa	0.6	1.9	1.1	1.7	1.9	2.6	**9.2**

SOURCE: GWEC | GWEC

CUMULATIVE MARKET FORECAST BY REGION 2018-2022 (GW)



	2017	2018	2019	2020	2021	2022
Europe	177.5	191.3	206.3	220.8	236.8	253.8
North America	105.3	114.8	124.8	137.3	147.9	158.9
Asia	228.7	252.1	279.6	309.0	339.3	370.4
Latin America	17.9	21.3	24.6	27.4	30.2	34.1
Pacific	5.2	6.0	6.6	8.0	9.0	9.9
Middle East & Africa	4.5	6.4	7.5	9.2	11.1	13.7

SOURCE: GWEC | GWEC

WindEYE™ - The Retrofit Market

WindEYE™ provides energy increases to IPP's already commisioned wind projects

Windar Photonics' WindEYE™ LiDAR solution can increase annual energy production by 1-4% by ensuring that the wind turbine is always facing the correct way for extracting energy from the wind efficiently.

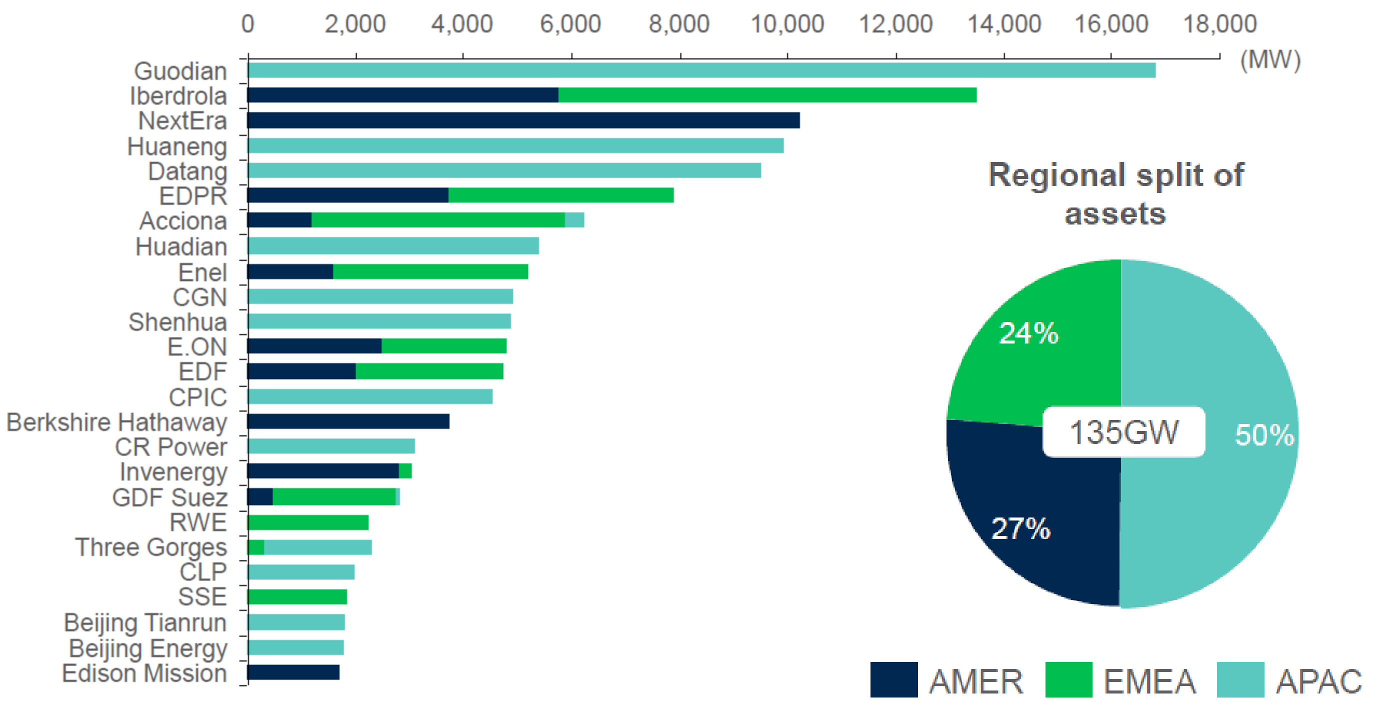
In terms of the size of the market, there are currently c. 220,000 wind turbines (more than 1.49MW) installed across the world. The Company serves this market segment through distribution partners, and is well positioned to retrofit a minimum of 2% of the total addressable retrofit market per annum, within the foreseeable future.

During the period, Windar Photonics signed a global distribution agreement with Vestas Wind Systems and this is expected to support this target. Vestas is the largest maintenance provider in the industry with 78GW or 14% of the global cumulative installed wind capacity under service. This means that Vestas will now be selling and marketing Windar's WindEYE™ system as a retrofit solution to the wind industry. This was a milestone deal during the period, particularly given that it connects Windar to a service network of more than 10,000 people in 63 countries.

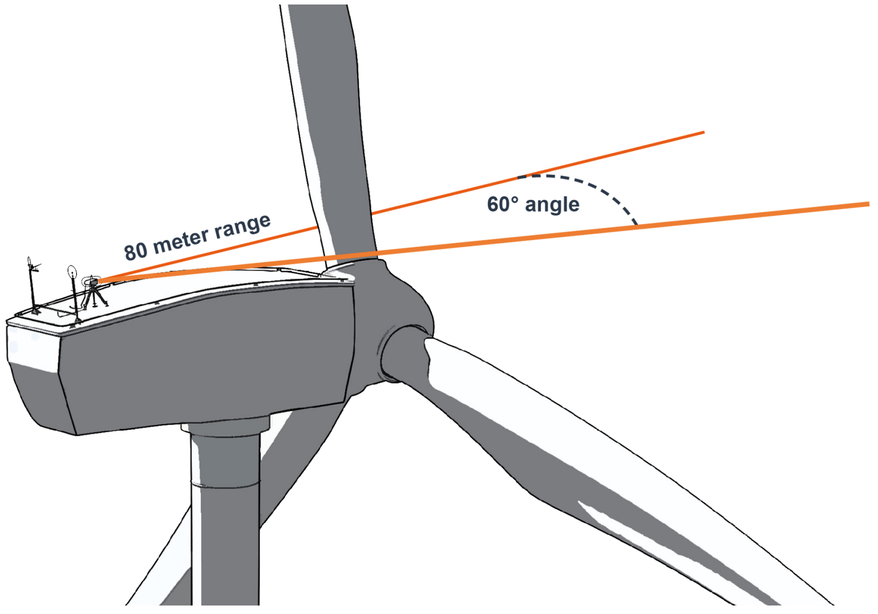
WINDEYE™

The Retrofit Market

The retrofit market segment that Windar Photonics is servicing is comprised of IPP companies (Independent Power Producers) and asset owners with already operational wind turbines which demands increased power production from their assets, where Windar Photonics LiDAR product can provide increases by 1-4% to the Annual Energy Production (AEP) of the asset.



SOURCE: MAKE

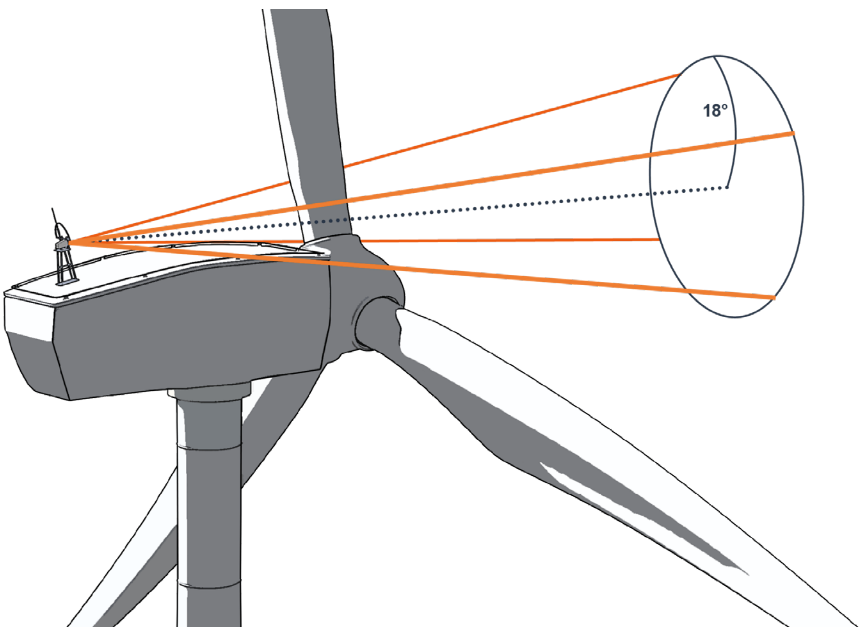


WindVISION™ - The OEM Market

WindVISION™ can be integrated into the design of a wind turbine and represents Windar Photonics' solution tailored to the Original Equipment Manufacturing (OEM) market.

Windar delivers its product to 6 out of 10 OEMs and is focused on increasing this in the future in order to strengthen its recurring revenues. With 23-25,000 wind turbines manufactured across the world per year, this represents a significant market opportunity for Windar Photonics. The addition of wake detection functionality during the year under review, combined with the product's general features, has created increasing interest within this market segment. Several new and important OEM projects started during the year.

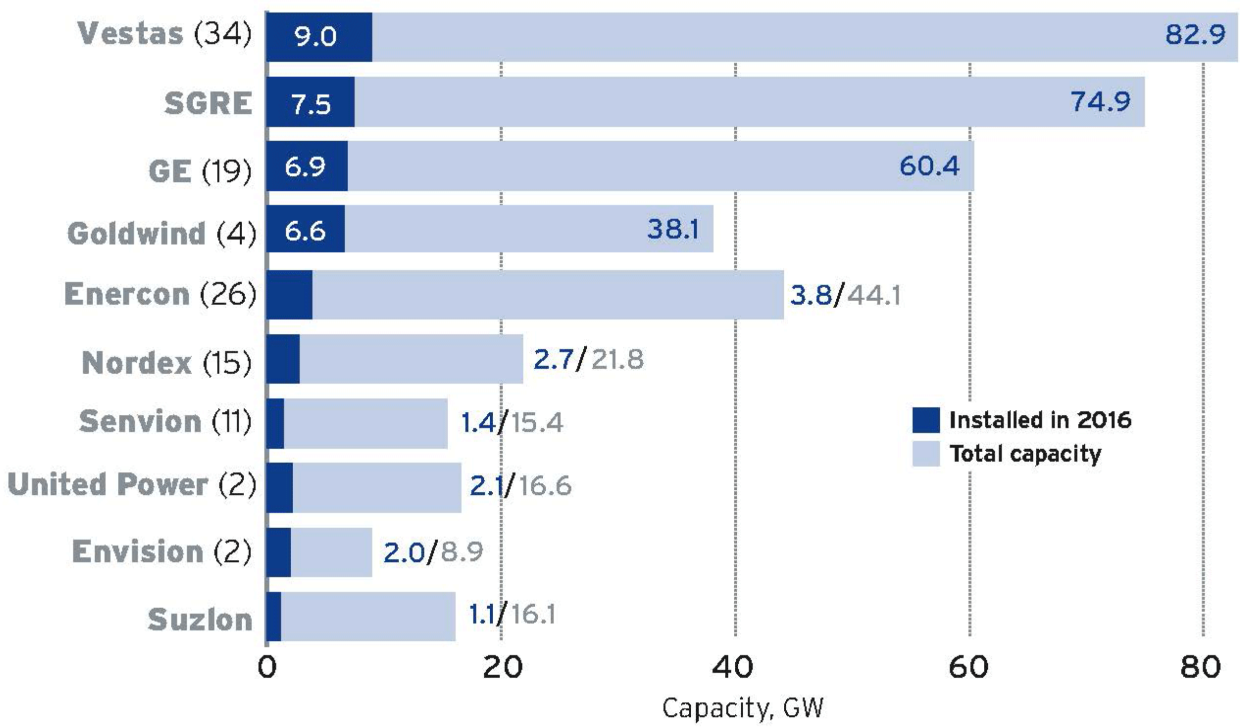
Integration projects for WindVISION™ are already ongoing with the majority of the top 10 global OEMs. With 23-25,000 wind turbines manufactured across the world per year, this represents a significant market opportunity for Windar Photonics. The addition of wake detection functionality during the year under review, combined with the product's general features, has created increasing interest within this market segment. Several new and important OEM projects started during the year.



The design-in solution for the OEM market

The wind turbine OEM market is dominated by a handful of significant and well-established wind turbine manufacturers. Windar services the OEM market with the WindVISION™ LIDAR which is intended as a design-in solution for newly produced wind turbines.

MANUFACTURER (No of markets, if known)



CHAIRMAN´S STATEMENT

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

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

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

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

RETRO-FIT DEVELOPMENTS - WindEYE™

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

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

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

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

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

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

OEM DEVELOPMENTS - WindVISION™

WindVISION™ was specifically developed to be integrated into the design of a wind turbine and is therefore our tailored solution to the OEM market. We have been campaigning for OEMs to adopt our LiDAR technology for optimisation of new turbine designs since WindVISION™ was launched in the market in 2016. The accreditation work required to get such a new technology added to the turbine designs of many of these very large manufacturers and to become embedded within their planning procedures has been time consuming and has taken longer than we originally expected.

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

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

FINANCIAL OVERVIEW

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

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

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

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

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

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

OUTLOOK

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

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

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

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

Johan Blach Petersen

Non-Executive Chairman, June 2019

STRATEGIC REPORT

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES OF THE GROUP

Windar Photonics is a technology Group that has developed and sells cost efficient and innovative Light Detection and Ranging sensors ('LiDAR') and associated products for use on electricity generating wind turbines. LiDAR wind sensors in general are designed to remotely measure wind speed and direction.
The Group's key products are the WindEYE™ and WindVISION™ sensors which measure the wind speed at different measuring points by scanning a laser beam ahead of the wind turbine.
By measuring the wind speed a variety of wind information is derived such as wind direction, turbulence, wind shear, wind gust and wake detection. The products and various algorithms are designed for the general optimisation of wind turbines both in respect of increasing the Annual Energy Production and general load reduction options.

REVIEW OF THE BUSINESS

The Chairman's Statement on page 14 includes a general review of the Group's business for the year.

FUTURE DEVELOPMENTS IN THE BUSINESS

Independent Power Producers (IPPs) and Wind Park Operators are primarily interested in general optimisation of existing wind turbines thereby potentially increasing power output. One method of achieving this is by optimisation of the yaw alignment of the wind turbine which can be obtained by fitting a LiDAR wind sensor such as the WindEYE™ sensor. Following the Company's Distribution Agreement with the industry's largest maintenance provider, Vestas, Windar Photonics is in discussions with numerous IPPs. The Board is hopeful that these will convert in the coming months.

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

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

During 2019, Windar's R&D focus will continue, focused on additional new features, turbine optimisation solutions and reducing manufacturing costs.

BREXIT

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

INTERNATIONAL TRADING SITUATION

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

GROUP RESULTS AND DIVIDENDS

In the year ended 31 December 2018, Windar Photonics achieved revenue of €3.5 million (2017; €2.2 million) from sales of WindEYE™ and WindVISION™ sensors and related services which represent a revenue growth of 59% in 2018. The total gross profit for the year amounted to €1.8 million (2017; €0.9 million) representing a growth of 92%.

The Group loss for the year after taxation was reduced by 64% to €0.8 million (2017: Loss €2.2 million).

No dividends are payable for the year under review (2017: No dividends payable).

PRINCIPAL RISKS AND UNCERTAINTIES

Sales cycle and product acceptance

As with many large projects the successful addition of a client and the successful installation of the Group's product for a potential client can entail a long sales cycle, which often also involves protracted negotiations and meeting detailed technical specifications and requirements, the length of which may adversely affect the Group's financial situation and cash flow and increase project costs. Further, there can be no guarantee that the commencement of such negotiations will result in successful addition of a client and, as such, significant time may be spent and expense may be incurred without return for the Group.

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

Products and services failure

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

The Group has not had to initiate a product recall. However, it may be exposed to product recalls if its products are faulty or if regulations are breached. If the Group has to recall products, it may incur significant and unexpected costs and damage to its reputation. The Group has implemented quality control procedures to mitigate this risk. The Group has introduced some significant improvements to WindEYE™ during the year, resulting in a more robust product that is easier to install which will further mitigate this risk.

Other commercial factors
The Group is still in an early business cycle stage and now entering into the next higher growth cycle means that the Group will be exposed to a higher concentration of single customers and/or contracts. In 2018 this was illustrated by the fact that 2 customers accounted for 90% of the annual Group revenue (2017: 3 customers, 70%). The Group is aware and is paying attention to the potential commercial risk this development brings. One of the ways to mitigate this risk going forward is to continue to focus strongly on both ongoing but just as important new OEM projects with the view over time to developing a broader customer base. Going into 2019 the Group has a record number of OEM integration projects ongoing despite the often minimal short term financial benefits such projects bring. The Group has also mitigated this risk by engaging with distributors within the IPP retrofit market and in particular with its agreement with Vestas.

Being in an early business cycle the Group has been dependent on financing the business through placing of shares in the market primarily to finance annual losses generated in the Group. The Group is aware of the risks associated with being dependent on such capital sources. The focus in the Group to mitigate this risk is to arrive at a position where potential future share placings primarily will be needed for financing of working capital and not financing of annual losses. Several activities and programmes have been initiated by the Group to support this target of which one was the operating expense realignment program with the aim to reduce the revenue break-even level. Other measures have been to continue to optimise our core product costs enabling the Group to get larger contract wins in 2019 still with satisfactory profit margins.

KEY PERFORMANCE INDICATORS

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

Revenue for the year was €3.5 million (2017 €2.2 million) representing a growth of 59% and with increasing gross profit margins the overall Gross Profit showed a growth of 92%. The recognised revenue growth realised for the year was below initial targets set for 2018 due to primarily supply chain issues during the year. However, during the latter part of the year actions to avoid such limitations have been addressed.

EBITDA loss, representing the loss from operations and adding back the depreciation and amortisation charges of €0.3 million (2017: €0.5 million), reduced from €1.5 million in 2017 to €0.4 million in 2018 representing an improvement in performance of 73%.
At 31 December 2018 and excluding restricted cash balances of €0.5 million (2017: €0.2 million) the Group had cash balances of €1.7 million (2017: €1.1 million).
During the year the cash flow from operations before changes in working capital were sharply reduced to a net negative cash flow of €0.4 million (2017 €1.2 million), whereas the negative cash flow from movements in working capital amounted to €0.5 million against a positive cash flow from working capital in 2017 of €0.8 million. The substantial change in cash flows from working capital between 2017 and 2018 is primarily due to a reduction of the unusually high Trade Creditors at the end of 2017, which in 2018 have been reduced by €0.6 million to a more normal Trade Creditor debts level at the end of 2018.

In addition trade receivables have increased €0.3 million during the period which reflects the increased revenue achieved. The Group continues to use invoice financing and export credit facilities. The increase in the restricted cash balances at the end of the year compared to 2017 was due to the increased usage of the EKF credit facility in 2018.

The Group's loans at 31 December amount to €1.1 million (2017: €1 million) of which €5,240 (2017: €4,579) is classified as current. The interest charge on the Growth Fund Loan is rolled up and due on repayment of the loan in June 2020. The Group owed €10,735 (2017: €0.1 million) against the multi-currency invoice discounting facility. Compared to 2018 the usage of this facility was reduced due to the strong free cash holdings at the end of the year.

The order book at 31 December 2018 stood at €0.9 million (2017: €4 million). The board consider this along with ongoing trials with OEM customers and IPPs in reviewing the performance of the business.

Employee numbers at 31 December 2018 were 26 (2017: 22). The realignment programme initiated in 2016 was completed in 2017 bringing down the number of employees from 31 employees at the beginning of 2016. Due to the general growth primarily in Asia the Company has increased its number of employees in the Shanghai based sales and service office.

BY ORDER OF THE BOARD ON 27 JUNE 2019

Jørgen Korsgaard Jensen
Director, June 2019

DIRECTORS´ REPORT

The Directors present their report and the Financial Statements for the year ended 31 December 2018.

FUTURE DEVELOPMENTS

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

GROUP RESULTS AND DIVIDENDS

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

DIRECTORS

The Directors of the Company during the year were:

Jørgen Korsgaard Jensen
Simon Gregory Barrell
Johan Blach Petersen
Søren Høffer

DIRECTORS’ INTERESTS

	As at 31 December 2018			**As at 31 May 2019**		
	Ordinary Shares	Per cent	Warrants	Ordinary Shares	Per cent	Warrants
Jørgen Korsgaard Jensen *1	6,983,197	15.69%	-	6,983,197	15,69%	-
Simon Barrell	47,222	0.11%	-	47,222	0.11%	-
Johan Petersen *2	1,969,508	4.43%	-	1,969,508	4.43%	-
Søren Høffer	-	-	-	-	-	-

*1 (held by Pasinika S.a.r.l. see below)

*2 (held by J Blach Petersen BD A/S see below)

SIGNIFICANT SHAREHOLDERS

Shareholders who have notified the company of shareholdings in excess of 3% as at 30 May 2019 are as follows:

	Number of ordinary shares	Percentage
SEED Capital Denmark II K/S	7,063,674	15.87%
Pasinika S.a.r.l.	6,983,197	15.69%
PreSeed Ventures A/S	4,175,333	9.38%
M.M. 26 Holding A/S	4,033,973	9.06%
Danmarks Tekniske Universitet	2,352,990	5.29%
Milton Holding Horsens A/S	2,119,400	4.76%
Artemis Investment Management LLP	1,750,000	3.93%
J Blach Petersen BD A/S	1,969,508	4.43%
Investeringsselskabet af 11 august 2005	1,659,101	3.73%

DIRECTORS’ BIOGRAPHIES

Johan Blach Petersen (Non-Executive Chairman), aged 67

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 Group A/S, JMM Group A/S, Teknikgruppen A/S, Tuco Marine Group A/S, Lindcon Optical Group A/S Østergaard Møbelindustri A/S and as member of the board of OPDI Technologies A/S, Tildas A/S, and Kinnan A/S. Prior to forming his own business in 1981 he was a management consultant as well as serving as the Trade Commissioner for Denmark in Houston, Texas.
Johan was educated at the Aarhus Business School, holding two business degrees: HA and HD.

Jørgen Korsgaard Jensen (Chief Executive Officer and Founder), aged 56

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

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

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

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

Simon Barrell (Senior Independent Non-Executive Director), aged 60

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.

Søren Høffer (Non-Executive Director), aged 46

Søren Høffer was trained as a lawyer at the Danish law firm Kromann Reumert. In 2002 Søren joined the world leading designer and manufacturer of blades for wind turbines, LM Wind Power. At LM Wind Power Søren served as General Counsel, VP Corporate Staff and since 2013 as VP of Sales and Marketing. As of 1 March, 2018, Søren joined as CSO for a major OEM turbine manufacture, and thus continues to build on his 17+ years’ experience in the wind industry. Søren holds a bachelor’s degree in Business and Law and a master’s degree in law from Aarhus University, Denmark.

DIRECTORS´ REPORT continued

DIRECTORS’ REMUNERATION

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

	Wages and salaries €	Fees €	Fair value of warrant costs €	Total €
Year ended 31 December 2018				
Executive Directors				
Jørgen Korsgaard Jensen	-	-	-	-
Non-executive Directors				
Simon Barrell	-	11,224	-	11,224
Johan Blach Petersen	-	13,423	-	13,423
Søren Høffer	-	11,224	-	11,224
Total	-	**35,872**	-	**35,872**
Year ended 31 December 2017				
Executive Directors				
Jørgen Korsgaard Jensen	-	-	-	-
Non-executive Directors				
John Weston (resigned 29 December 2017)	-	-	3,771	3,771
Simon Barrell	-	-	1,885	1,885
Johan Blach Petersen	-	-	-	-
Søren Høffer (appointed 29 December 2017)	-	-	-	-
Total	-	-	**5,656**	**5,656**

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

FINANCIAL INSTRUMENTS

Currency

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

Liquidity risk

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

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

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

CREDIT RISK

The Group regularly reviews and assesses the trade receivables for impairment and considers the market risk in respect of the trade receivables. As the Group trades with a concentrated number of customers and utilises export credit facilities the Group has reviewed trade receivables on an individual basis. The Group has made a provision against overdue trade receivables of €47,541 (2017: €47,684). The Group considers the followings events as indicators of an impairment:

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

EMPLOYMENT POLICIES

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

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

TREASURY POLICY

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

Compliance with these policies is monitored by the Board.

RESEARCH AND DEVELOPMENT

The Group continues to undertake R&D into LiDAR technology. During the year the Group spent €881,892 (2017: €545,815) on R&D of which €415,456 (2017: €333,480) has been capitalised as an intangible asset as shown in note 17 to the financial statements.

The Group has received R&D Grants from Energiteknologisk Udvikling og Demonstration Projekt of €108,779 (2017: €152,447) in respect of the capitalised R&D and of €78,896 (2017: €92,348) related to R&D costs included the profit and loss statement. The Group has the ability to claim a further €Nill (2017: €174,342) of grants in future years in respect of on-going R&D projects.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

WEBSITE PUBLICATION

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

AUDIT INFORMATION

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

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

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

BY ORDER OF THE BOARD ON 27 JUNE 2019

Jorgen Korsgaard Jensen
Director

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2018

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

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

BOARD OF DIRECTORS

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

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

NON-EXECUTIVE DIRECTORS

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

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

EXECUTIVE DIRECTORS

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

The Company holds board meetings regularly throughout the year. Eight scheduled board meetings were held during the year, as well as two audit committee meetings, one remuneration committee meeting and one nomination committee meeting. Attendance by board members is shown below.

	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Number of meetings held	8	2	1	1
Executive board members				
Jørgen Korsgaard Jensen	8	N/A	N/A	N/A
Non-executive board members				
Simon Barrell	8	2	1	1
Johan Blach Petersen	8	2	1	1
Søren Høffer	8	2	1	1

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

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises Johan Blach Petersen, Søren Høffer and Simon Barrell and is chaired by Simon Barrell. The Audit Committee meets at least twice a year and is responsible for reviewing the annual and half-yearly financial statements, the system of internal controls and risk management, and the terms of appointment and remuneration of the auditor. It is also the forum through which the auditor reports to the Board. The Audit Committee is also responsible for reviewing the objectivity of the external auditor and the terms under which the external auditor is appointed to perform non-audit services.

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

During the year the committee worked with the Group auditors, on the findings of the 2017 audit as well as reviewing the company's full year and half year results on behalf of the Board. It considered significant accounting policies, ensured compliance with accounting standards and considered reports from the external auditor on accounting topics of a judgemental nature requiring attention. The Committee over the year, had separate discussions with the auditor without management being present on the adequacy of controls and any judgemental areas, as well as feedback on the 2017 audit.

Nomination Committee

The Nomination Committee comprises Johan Blach Petersen, Søren Høffer and Simon Barrell and is chaired by Johan Blach Petersen. It meets at least once a year and otherwise as required. The Nomination Committee considers the composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board.

Remuneration Committee

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

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

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

There were no share options or warrants issued during the year under review.

PERFORMANCE EVALUATION

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

AUDIT AND INTERNAL CONTROL

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

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

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

The Audit Committee reviews the effectiveness of the internal controls on an annual basis on behalf of the Board and considers that they comply throughout the year ended 31 December 2018 with those provisions of the Code which they consider to be practicable and appropriate for a relatively small public company.

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

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

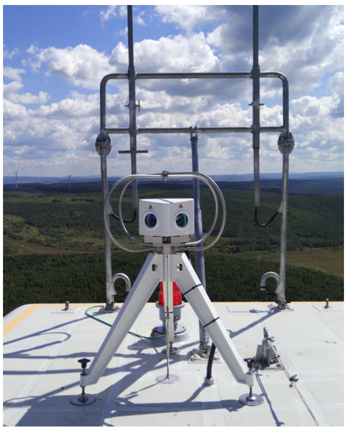
In common with organisations of similar size the Executive Director is heavily involved in the day to day running of the business. The directors believe that although the Group's controls may be slightly less formal than those of larger groups, the close involvement of the Executive Directors more than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

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

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

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further information in respect of the Director's consideration of going concern is included in note 3 to the financial statements.



WINDAR PHOTONICS QCA CODE

For the year ended 31 December 2018

1 Principal 1 : Establish a strategy and business model which promote long-term value for shareholders

The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Group intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Group from unnecessary risk and securing its long-term future.

Windar Photonics' primary vision is to be, and remain, the leading global supplier of nacelle LiDAR equipment for both the wind turbine OEM and retrofit markets.

Windar's core strategy for achieving the vision is focused on the following core components:

- Competitiveness
- Innovative technology
- Cost-effective operation of the Group
- Power enhancement and cost reduction for the end user.

The OEM market is serviced directly by Windar Photonics, whereas the retrofit market is serviced through an external global dealership that supplies Windar Photonics' products to local Independent Power Producers (IPPs) and wind farm operators.
The Group's strategy and key challenges are detailed in the Strategic Report and the Directors´ Report and Consolidated Financial Statements.

2

Principal 2 : Seek to understand and meet shareholder needs and expectations

Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.

The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

The Board is committed to clearly navigating the Group towards substantial growth and to ensuring that the shareholder's expectations are met in this regard.

Windar Photonics encourages two-way communication with both its institutional and private investors. Windar Photonics endeavors to respond swiftly to all queries received from its investors. The Group's CEO is regularly in contact with the Group's institutional and retail shareholders and ensures that their views and concerns are communicated clearly to the Board. The Group also seeks to manage shareholder expectations through its regulatory disclosures.

The Board recognises the AGM as an important opportunity to meet private shareholders, and the Directors are available to listen to the views expressed by the company's shareholders in an informal context immediately following the AGM.

Where voting decisions are not in line with the Group's expectations, the Board will engage with those shareholders to understand and address any issues.

3 Principal 3 : Take into account wider stakeholder and social responsibilities and their implications for long-term success

Long-term success relies upon good relations with a range of different stakeholder Groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the Group's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the Group's impact on society, the communities within which it operates or the environment have the potential to affect the Group's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Group's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

Windar Photonics is committed to sustainability and progress in all aspects of the business – the environment, customers, suppliers and the communities it operates in.

This is evidenced and underpinned by the group's vision and values:

1. Customers - Grow profitable sales
2. Quality – Operational excellence
3. Environment – Community
4. Innovation - Excellent product design
5. Team Work – Engage our people

Sustainability is essentially the foundation of Windar Photonics, as the Group's overall business is to provide the market a commercially viable mean of enhancing the production and effectiveness of renewable wind energy assets, which in turn contributes to increasing the economic viability and sustainability of the renewable energy sector. Windar Photonics is, via its global dealership, servicing several countries in the APAC region with newly developed renewable energy sectors, where Windar Photonics' products can contribute to increase the competitiveness of the emerging wind energy sector.

Windar Photonics is a SME based in the United Kingdom and Denmark, and the Group conforms to the local laws and standards for social responsibilities in relation to the Group's employees. Windar Photonics encourages an open dialogue with its employees, and conducts employee opinion surveys, and individual employee consultations, to get employees' feedback on all aspects of employment with Windar Photonics. Furthermore, employee representatives meet in forums to discuss business related issues.

Windar Photonics encourages feedback from its customers through trade account managers and direct engagement with individual customers via customer service teams and social media communication, such as LinkedIn.

4

Principal 4 : Embed effective risk management, considering both opportunities and threats, throughout the organisation

The board needs to ensure that the Group's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the Group's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the Group is able to bear and willing to take (risk tolerance and risk appetite).

A detailed analysis of the risks that face the Group are included in the Directors' Report which identifies the risks and measures taken to minimise the identified risks, along with an assessment of any changes to the potential risks during the previous reporting period. In 2018 no changes to risks were registered in the Group.

The Group formally reviews and documents the principal risks to the business at least annually. Likewise, the executive directors have agreed to act with risk-prevention in mind during the daily operation of the Group.

The board is responsible for evaluating potential risks and meets regularly to identify and review risks in relation to the ongoing trading, and the Group's budgets and forecasts. Likewise, the Board considers risk to the business at every board meeting, and both current and future potential risks are registered and assessed during each meeting.

5 Principal 5 : Maintain the board as a well-functioning, balanced team led by the chair

The board members have a collective responsibility and legal obligation to promote the interests of the Group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

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

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

Directors must commit the time necessary to fulfil their roles.

The Directors on the Board of Windar Photonics have a varied set of skills and substantial experience within their respective fields. Their complementary expertise is important in relation to directing the Group and making informed decisions for encouraging the growth of the Group.

The Group is controlled by the Board of Directors. Johan Blach Petersen, the Non-executive Chairman, is responsible for the running of the Board, and Jørgen Korsgaard, the Group’s Chief Executive Officer, has the executive responsibility for running the Group’s business and implementing the Group’s strategy.

The Board is comprised of one Executive Director and three Non-Executive Directors. The Board considers that all Non-executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service:

- Johan Blach Petersen (Non-Executive Chairman)
- Jørgen Korsgaard Jensen (Chief Executive Officer and Founder)
- Simon Barrell (Senior Independent Non-Executive Director)
- Søren Høffer (Non-Executive Director)

Detailed profiles for the Directors on the Board are available in the Directors’ Report. All Directors receive regular and timely information concerning the Group’s operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings are circulated to the Company’s Board of Directors.

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

6 Principal 6 : Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

> The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.
>
> The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.
>
> As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.

The Nomination Committee of the Board oversees the process and makes recommendations to the Board regarding all new Board appointments. Where new appointments for the Board are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning as part of their responsibility to ensure the consistency of the Boards activities.

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

Johan Blach Petersen (Non-Executive Chairman)
Extensive experience with start-up companies and business development.

Jørgen Korsgaard Jensen (Chief Executive Officer and Founder)
Highly skilled innovator with in an in-depth understanding of international business and developing new technological solutions for the market.

Simon Barrell (Senior Independent Non-Executive Director)
Expert knowledge of financial reporting and accounting in relation to international businesses.

Søren Høffer (Non-Executive Director)
Comprehensive knowledge about the wind energy industry, business law, and contracting.

Further the Company Secretary supports the board in relation to general Corporate matters related to the parent company of the Group.

7

Principal 7 : Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.

A modus operandi for the evaluation of the board is currently under consideration, but not implemented at the current stage of the Group's development, as the Group is still a fairly young and small business unit.

All directors are subject to re-election by the shareholders by rotation.

The company has not adopted a policy on succession planning. The Non-executive Directors are, however, required to give notice under their employment contracts if they wish to leave the company and the Executive Directors are required to give nine months' notice.

8 Principal 8 : Promote a corporate culture that is based on ethical values and behaviours

The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team.
Corporate values should guide the objectives and strategy of the group.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement.

The performance and reward system should endorse the desired ethical behaviours across all levels of the Group.

The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the Group.

Windar Photonics is a fairly small and young Group, and the corporate ethical values have not yet been formally described. A description of the ethical values that underpin the Group will be formulated and made public during 2019.

Nonetheless, the Group is operated on a sound foundation of ethical principles:

- A high degree of transparency and non-hierarchical communication between the various positions in the Group
- Entrepreneurial spirit and a high degree of employee influence
- A diverse work-place with a wide representation of different cultures, which is considered a boon for the Group

Furthermore, the Group has provided training and information concerning anti-bribery and work-place safety to its employees.

The Group is also committed to providing a safe and secure environment for its employees, with its policies and procedures enshrined in its health and safety guidance to employees.

9 Principal 9 : Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Group should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Group.

A description of the matters of the board, titled “25 Board reserved matters”, is made public on the website, and is available on the page “*Corporate governance*”.

10 Principal 10 : Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Group.

In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the Group.

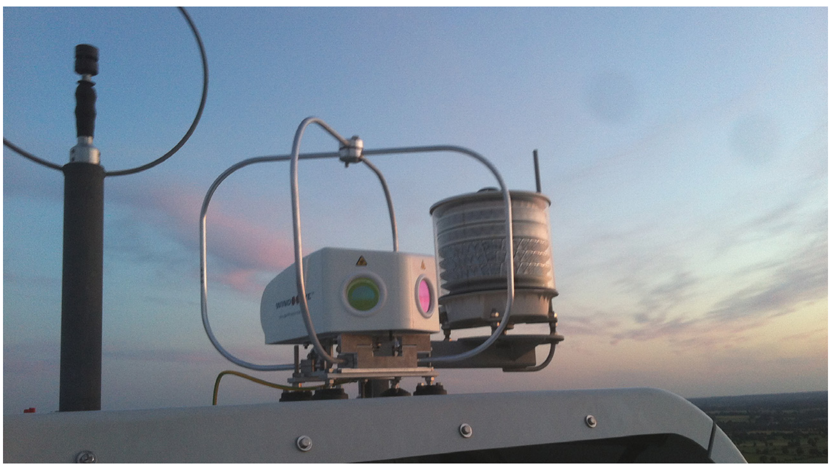
It should be clear where these communication practices are described (annual report or website).

Windar Photonics encourages two-way communication with both its institutional and private investors. Likewise, Windar Photonics endeavors to respond swiftly to all queries received from its investors. The Group's CEO is regularly in contact with the Group's main shareholders and ensures that their views and concerns are communicated clearly to the Board.

The audit committee and remuneration committee reports are included in the corporate governance section above.

The Board recognises the AGM as an important opportunity to meet private shareholders, and the Directors are available to listen to the views expressed by the Group's shareholders in an informal context immediately following the AGM.

The Group has not historically announced the detailed results of shareholder voting to the market. It intends to do so from now on.



INDEPENDENT AUDITOR´S REPORT

TO THE MEMBERS OF WINDAR PHOTONICS PLC

For the year ended 31 December 2018

OPINION We have audited the financial statements of Windar Photonics Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statement of financial position, the consolidated and company cash flow statement, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN:

We draw attention to Note 3 of the financial statements concerning the Group and the Parent Company's ability to continue as a going concern. The matters explained in Note 3 relating to the uncertainty around the timing of revenue receipts and the impact thereof on the Group and Parent Company's ability to fund its operations indicate the existence of a material uncertainty which may cast significant doubt over the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included:

- Analysing the Directors' cash-flow forecast which forms the basis of their assessment that the going concern basis of preparation remains appropriate for the preparation of the Group and Company financial statements for a period of at least twelve months from the date of approval of these financial statements – the assumptions in this forecast were considered against our knowledge of business trends and external documentation where available
- Assessing and sensitising key figures included within the cash-flow forecast and where available agreeing these key figures to other evidence obtained during the course of our audit work
- Testing the mathematical integrity of the cashflow model in order to check the basis of preparation of the model is in line with our expectations
- Discussing with Management and the Board the Group's strategy to continue to ensure funds are available to the Group to fund its operations, confirming statements made to publically available information and third party documentation where available
- Reviewing and considering the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

KEY AUDIT MATTERS

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	OUR AUDIT RESPONSE
Valuation of intangible assets – capitalisation and impairment	
As set out in note 4 the group recognises an internally generated intangible asset arising from development (or from the development phase of an internal project) if all of the criteria per accounting standards can be demonstrated. This includes the ability to measure reliably the expenditure attributable to the intangible assets during its development. Costs are allocated between the capitalised project and other projects based on directors' judgement. Once capitalised, the directors make an assessment of the recoverability of these costs. We have determined this to be a key audit matter due to the level of judgement involved in this area. See also notes 6 and 17.	Our audit procedures included a consideration of whether the capitalisation criteria were met for the capitalised project. Costs capitalised consist of payroll costs and other costs. Other costs have been agreed to external documentation. Payroll costs have been agreed to a schedule prepared by the directors splitting payroll costs between the capitalised project and other projects, and this split has been tested by confirmation with the employees working on the capitalised project. We have also reviewed the projected revenue and income streams against the capitalised projects to evaluate management's judgement that the carrying value is recoverable. Based on our work we consider that the costs capitalised satisfy the criteria of the relevant accounting standards and did not identify indications that an impairment was required.
Carrying value of investments in subsidiary undertakings and receivables from subsidiary undertakings at a parent company level	
Refer to notes 16 and 20. At the end of each reporting period, the directors are required to assess whether there is any indication that the investment in subsidiary undertakings and amounts receivable from subsidiary undertakings as shown in the parent company may be impaired. The directors identified an indicator of impairment in relation to the investment value for the subsidiary undertaking, Windar Photonics A/S, and as a result carried out an impairment review. This area was significant to our audit because the directors' exercised judgement in determining the underlying assumptions used in this calculation.	We obtained the directors' impairment review model and each of the key inputs to the impairment model were reviewed by reference to historical trends and secured future orders. We challenged management on their forecasts for revenue, costs and earnings before interest, tax, depreciation and amortisation included in the impairment model, particularly due to the loss in the year. In addition, we performed our own additional sensitivity analysis in respect of the key assumptions which included assessing the impact if management's forecasts were not met. We considered the appropriateness of the discount rate used by the directors by considering the inputs into this calculation with reference to companies of a similar size. For the receivables from the subsidiary we further considered the assumptions made in the expected credit loss approach including the business model applied, the consideration of significant increases in credit risk and the weighting of possible scenarios. Based on the evidence obtained, we did not identify any indications that an additional impairment adjustment was required.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.
We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the group financial statements as a whole to be €90,000 (2017: €46,000) which represents 3.5% of net assets (2017: 3.5%).
We have used net assets as the benchmark as this is deemed of most interest to the users of the financial statements for a start-up company. Performance materiality was set at 75% of the above materiality levels (2017: 75%). Performance materiality is applied at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Where financial information from components was audited separately, component materiality was set at 90% of group materiality.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of €3,600 (2017: €1,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We determined materiality for the parent company financial statements to be €81,000 (2017: €34,500) which is based on 90% of gross materiality as the entity does not trade and acts as a holding company.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

Audits of the subsidiary companies were performed at lower levels of 90% of Group materiality and determined by us to be appropriate to the relative size of the company concerned. As part of our audit strategy detailed group audit instructions were issued to the component auditor and the Group audit team reviewed the complete audit file for the main trading company. The Senior Statutory Auditor visits Denmark on a rotational basis and last visited in 2017.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Everingham
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Gatwick, UK

27 June 2019

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Revenue	8	3,499,867	2,213,664
Cost of goods sold		(1,744,571)	(1,301,047)
Gross profit		1,755,296	912,617
Administrative expenses		(2,391,798)	(2,976,309)
Impairment loss		(39,182)	(20,148)
Other operating income		32,201	78,067
Loss from operations	9	(643,483)	(2,005,773)
Finance expenses	12	(269,925)	(286,348)
Loss before taxation		(913,408)	(2,292,121)
Taxation	13	120,436	66,246
Loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		(792,972)	(2,225,875)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange gains/(losses) arising on translation of foreign operations		(2,125)	13,038
Total comprehensive loss for the year attributable to the ordinary equity holders of Windar Photonics Plc		(795,097)	(2,212,837)
Loss per share attributable to the ordinary equity holders of Windar Photonics Plc			
Basic and diluted, cents per share	14	(1.8)	(5.4)

The notes on pages 47 to 72 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 €	31 December 2017 €
Assets			
Non-current assets			
Intangible assets	17	982,888	868,594
Property, plant & equipment	18	110,788	107,084
Deposits		46,285	38,505
Total non-current assets		1,139,961	1,014,183
Current assets			
Inventory	19	726,999	739,610
Trade receivables	20	638,138	381,295
Other receivables	20	286,473	216,710
Prepayments		83,763	78,379
Restricted cash and cash equivalents	21	518,138	234,692
Cash and cash equivalents	21	1,721,803	1,116,503
Total current assets		3,975,314	2,767,189
Total assets		5,115,275	3,781,372
Equity			
Share capital	25	560,859	530,543
Share premium	26	12,558,434	10,281,073
Merger reserve	26	2,910,866	2,910,866
Foreign currency reserve	26	(21,715)	(19,590)
Retained earnings	26	(13,287,757)	(12,521,228)
Total equity		2,720,687	1,181,664
Non-current liabilities			
Warranty provisions	28	78,422	72,205
Loans	24	1,135,744	1,023,809
Total non-current liabilities		1,214,166	1,096,014
Current liabilities			
Trade payables	23	492,822	1,045,516
Other payables and accruals	23	588,456	325,675
Deferred revenue	23	83,169	6,716
Invoice discounting	23	10,735	121,208
Loans	23	5,240	4,579
Total current liabilities		1,180,422	1,503,694
Total liabilities		2,394,588	2,599,708
Total equity and liabilities		5,115,275	3,781,372

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019 and were signed below on its behalf by:

Jørgen Korsgaard Jensen, Director

The notes on pages 47 to 72 form part of these financial statements.

Company Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 €	31 December 2017 €
Assets			
Non-current assets			
Investments in subsidiaries	16	10,733,683	9,394,511
Total non-current assets		10,733,683	9,394,511
Current assets			
Other receivables	20	12,703	12,180
Prepayments		23,857	24,505
Intragroup receivables	20	974,624	276,299
Cash and cash equivalents	21	221,540	180,727
Total current assets		1,232,724	493,711
Total assets		11,966,407	9,888,222
Equity			
Share capital	25	560,859	530,543
Share premium	26	12,558,434	10,281,073
Merger reserve	26	658,279	658,279
Foreign currency reserve	26	(7,746)	(7,746)
Retained earnings	26	(1,891,110)	(1,632,647)
Total equity		11,878,716	9,829,502
Current liabilities			
Trade payables	23	67,691	38,720
Other payables and accruals	23	20,000	20,000
Total liabilities		87,691	58,720
Total equity and liabilities		11,966,407	9,888,222

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was €284,905 (2017 - loss €414,017).

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019 and were signed below on its behalf by:

Jørgen Korsgaard Jensen,
Director

The notes on pages 47 to 72 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Loss for the period before taxation		(913,408)	(2,292,121)
Adjustments for:			
Finance expenses	12	269,925	286,349
Amortisation	17	189,557	494,709
Depreciation	18	64,078	56,409
Received tax credit		66,095	149,603
Foreign exchange losses		(84,759)	(129,294)
Share option and warrant costs		26,443	235,416
		(382,069)	(1,198,929)
Movements in working capital			
Changes in inventory		12,611	254,047
Changes in receivables		(285,731)	152,687
Changes in trade payables		(552,147)	441,566
Changes in deferred revenue		76,453	(220,226)
Changes in warranty provisions	28	6,218	32,562
Changes in other payables and provisions		263,442	124,628
Cash flow from operations		(861,223)	(413,665)
Investing activities			
Payments for intangible assets	17	(415,456)	(333,480)
Payments for tangible assets	18	(68,125)	(44,312)
Grants received	17	108,779	152,447
Cash flow from investing activities		(374,802)	(225,345)
Financing activities			
Proceeds from issue of share capital		2,500,877	1,443,605
Costs associated with the issue of share capital		(193,199)	(109,540)
Reduction from invoice discounting		(110,474)	(118,319)
Increase in restricted cash balances		(283,446)	(204,083)
Repayment of loans		(4,579)	(4,580)
Interest paid		(66,537)	(36,080)
Cash flow from financing activities		1,842,642	971,003
Net increase in cash and cash equivalents		606,617	331,993
Exchange differences		(1,317)	1,344
Cash and cash equivalents at the beginning of the year		1,116,503	783,166
Cash and cash equivalents at the end of the year	21	1,721,803	1,116,503

The notes on pages 47 to 72 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Loss for the period before taxation		(284,906)	(414,017)
Adjustments for:			
Finance Income		(18,065)	(33,553)
Foreign exchange difference		-	59,028
Share option and warrant costs		26,443	235,416
		(276,528)	(153,126)
Movements in working capital			
Changes in receivables		(523)	8,742
Changes in prepayments		647	13,924
Changes in loans to subsidiary entity		(680,259)	570,491
Changes in trade payables		28,970	38,720
Changes in other payables and provisions		-	(78,209)
Cash flow from operations		(927,693)	400,542
Investing activities			
Additional investment in subsidiary undertaking	16	(1,339,172)	(1,746,162)
Cash flow from investing activities		(1,339,172)	(1,746,162)
Financing activities			
Proceeds from issue of share capital		2,500,877	1,443,605
Costs associated with the issue of share capital		(193,199)	(109,540)
Foreign exchange losses		-	(59,028)
Cash flow from financing activities		2,307,678	1,275,037
Net increase/(decrease) in cash and cash equivalents		40,813	(70,583)
Cash and cash equivalents at the beginning of the year		180,727	251,310
Cash and cash equivalents at the end of the year	21	221,540	180,727

The notes on pages 47 to 72 form part of these financial statements.

Consolidated and Company Statements of Changes in Equity

For the year ended 31 December 2018

	Share Capital €	Share Premium €	Merger reserve €	Foreign currency reserve €	Accumu-lated Losses €	Total €
Group						
At 1 January 2017	513,327	8,964,224	2,910,866	(32,628)	(10,530,769)	1,825,020
New shares issued	17,216	1,426,389	-	-	-	1,443,605
Costs associated with capital raise	-	(109,540)	-	-	-	(109,540)
Share option and warrant costs	-	-	-	-	235,416	235,416
Transaction with owners	17,216	1,316,849	-	-	317,069	1,569,481
Loss for the year	-	-	-	-	(2,225,875)	(2,225,875)
Other comprehensive gains	-	-	-	13,038	-	13,038
Total comprehensive loss	-	-	-	13,038	(2,225,875)	(2,212,837)
At 31 Dec 2017	530,543	10,281,073	2,910,866	(19,590)	(12,521,228)	1,181,664
New shares issued	30,316	2,470,560	-	-	-	2,500,876
Costs associated with capital raise	-	(193,199)	-	-	-	(193,199)
Share option and warrant costs	-	-	-	-	26,443	26,443
Transaction with owners	30,316	2,277,361	-	-	26,443	2,334,120
Loss for the year	-	-	-	-	(792,972)	(792,972)
Other comprehensive gains/(loss)	-	-	-	(2,125)	-	(2,125)
Total comprehensive loss	-	-	-	(2,125)	(792,972)	(795,097)
At 31 Dec 2018	560,859	12,558,434	2,910,866	(21,715)	(13,287,757)	2,720,687

The notes on pages 47 to 72 form part of these financial statements.

Consolidated and Company Statements of Changes in Equity continued

For the year ended 31 December 2018

	Share Capital €	Share Premium €	Merger reserve €	Foreign currency reserve €	Accumu-lated Losses €	Total €
Company						
At 1 January 2017	513,327	8,964,224	658,279	(7,746)	(1,454,047)	8,674,037
New shares issued	17,216	1,426,389	-	-	-	1,443,605
Costs associated with capital raise	-	(109,540)	-	-	-	(109,540)
Share option and warrant costs	-	-	-	-	235,416	235,416
Transaction with owners	17,216	1,316,849	-	-	235,416	1,589,481
Loss for the year	-	-	-	-	(414,017)	(414,017)
Total comprehensive loss	-	-	-	-	(414,017)	(414,017)
At 31 Dec 2017	530,543	10,281,073	658,279	(7,746)	(1,632,648)	9,829,501
New shares issued	30,316	2,470,560	-	-	-	2,500,876
Costs associated with capital raise	-	(193,199)	-	-	-	(193,199)
Share option and warrant costs	-	-	-	-	26,443	26,443
Transaction with owners	30,316	2,277,361	-	-	26,443	2,334,120
Loss for the year	-	-	-	-	(284,905)	(284,905)
Total comprehensive loss	-	-	-	-	(284,905)	(284,905)
At 31 Dec 2018	560,859	12,558,434	658,279	(7,746)	(1,891,110)	11,878,716

The notes on pages 47 to 72 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

1. General information

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 09024532 in England and Wales. The Company's registered office is 3 More London Riverside, London, SE1 2AQ.
The Group was formed when the Company acquired on 29 August 2014 the entire share capital of Windar Photonics A/S, a company registered in Denmark though the issue of Ordinary Shares.

2. Adoption of new and revised International Financial Reporting Standards

The new standards, interpretations and amendments have not had a material effect on the financial statements:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue Recognition*

IFRS 9 Financial Instruments

The Group has adopted the new IFRS 9 standard on 1 January 2018. The adoption of IFRS 9 has had no impact on the financial statements and the prior year has not been restated. The standard looks at how an entity should classify and measure financial assets, financial liabilities, and contracts to buy or sell non-financial items.

The Group has reviewed its classification and measurement of financial assets and liabilities as from the implementation of IFRS 9 and considered the effects of transitioning to the new standard. The classification of financial assets and liabilities has changed however, they are still carried at amortised cost and there has been no impact on the result for the current or prior year.

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

Intercompany debtors represent financial assets and are also considered for impairment on an expected credit loss model, the implementation of IFRS 9 on intercompany debtors has also not resulted in an impairment provision in the current or prior year.

IFRS 15 Revenue recognition

The Group has adopted the new revenue recognition standard, IFRS 15, from 1 January 2018. The standard looks at the timing of revenue recognition on contracts with customers. The new standard has had no impact on the Group result in 2018 as the revenue was previously recognised when the risk and rewards of the product were transferred to the customer. Assessing the performance obligations of customer contracts for the sale of products and installation the Group has assessed that control passes to the customers at the same time the risk and rewards transfer under IAS 18, and thus there is no change in the revenue recognition for the Group. The Group considered this for all outstanding contract obligations in respect of the transition to IFRS 15 at 31 December 2018 and found that there was no transition impact of the adoption of the standard.

The amendments and interpretations to published standards that have an effective date on or after 1 January 2019 or later periods have not been adopted early by the Group.

IFRS 16 Leases

IFRS 16 will become effective for accounting periods commencing on 1 January 2019. The Group have undertaken an evaluation of the potential impact of IFRS 16 in respect of leases. IFRS 16 requires the Group to account for the lease liability of the asset and the right of use asset at cost. This will mainly affect the treatment of operating leases which were previously recorded as an annual cost to the Group. The Group has determined to use the cumulative catch up approach for the valuation of leases, rather than the full transition method due to the current leases held. The leases currently held by the Group all expire within nine months of the year end the Group will apply a practical expedient that allows for them to be treated as short term leases and not valued for the purposes of IFRS 16. There will be no effect on the 2019 financial statements in respect of the leases held.

Any new leases entered into in 2019 will be reviewed under IFRS 16 the Group will recognise the expense as interest on its lease liabilities and amortisation on its right-of-use assets.

3. Going Concern

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

Based on the Group's latest trading expectations and associated cash flow forecasts, the directors have considered the cash requirements of the Group. The directors are confident that based on the Group's forecasts and projections, taking account of possible changes in trading performance, no further funding will be required and are satisfied that the Group has adequate resources to continue in operation for the review period, namely 12 months from the date of approval of these financial statements. The directors also note that the Growth Fund loan is repayable on 12 June 2020, which is within 12 months from the date of approval of the accounts, and it has therefore been taken into account when considering the going concern basis. It is on that basis they continue to adopt the going concern basis of accounting in preparing these financial statements.

If the timing of the forecast revenue were not to be achieved in the periods expected, the Group may need to seek additional funding to cover those periods where there might be a potential shortfall and the Board is confident that this would be available. The Board has started initial initiatives related to refinancing of the Growth Fund Loan due in June 2020, however, at the date of approval of these financial statements there are no legally binding agreements in place relating to any such fundraising. The ability to continue as a going concern is therefore entirely dependent on the timing of the revenue forecasts being achieved in the expected periods and trade receivables being received as anticipated, which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

4. Accounting policies

Basis of preparation

The consolidated financial statements comprise the consolidated financial information of the Group as at 31 December 2018 and are prepared under the historic cost convention, except for the following:

- share based payments and share option and warrant costs

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the periods presented except for the adoption of IFRS 15 and 9 as discussed above.

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The acquisition of the subsidiary in 2014 was deemed to be a business combination under common control as the ultimate control before and after the acquisition was the same. As a result, the transaction is outside the scope of IFRS 3 and has been included under the principles of merger accounting by reference to UK GAAP.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. The cost of Windar Photonics A/S was measured at the carrying amount of the Company's share of the equity in Windar Photonics A/S at 30 June 2014.

Capital contribution

Amounts forwarded to subsidiary entities which are not due to be repaid are treated as a capital contribution and an increase in that investment.

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

Revenue

Revenue is recognised under IFRS 15. Revenue arises from the sale of the WindEYE™ and WindVISION™ products and related services that measures remote wind speed measurements. Revenue is recognised exclusive of VAT and other taxes and when the Group has performed the specific obligations under the contract with customers.

4. Accounting policies (continued)

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

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

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

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

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

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

Foreign currency

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

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

Segment reporting

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

Financial assets and liabilities

Financial assets

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

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

4. Accounting policies (continued)

Financial liabilities

The Group treats its financial liabilities in accordance with the following accounting policies:

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

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

Borrowing costs
Borrowing costs are recognised in the Statement of Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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

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

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

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

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

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

Plant and equipment	over 3 - 5 years

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

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

4. Accounting policies (continued)

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 Profit or Loss and Other 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.

Impairment of non-financial assets

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

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

Deposits

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

Inventory

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

Provisions

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

Grants

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

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

4. Accounting policies (continued)

Share based payments
The Group operates an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. No new warrants or options have been issued in 2018.

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

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

Leases
Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an “operating lease”), the total rentals payable under the lease are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

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

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 2018 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

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

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

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

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

Under the merger method, the income, expense, assets and liabilities of Windar Photonics A/S have been included in the consolidated financial statements of Windar Photonics plc as if it had always been a member of the Group, taking into account the original acquisition date of the wider Group.

5. Basis of consolidation (continued)

The amounts attributed to the assets (including goodwill) and liabilities of Windar Photonics A/S therefore reflect their book values as at 1 January 2013. Any difference between the consideration paid for the acquisition of Windar Photonics A/S by the Company and the net book value of the assets (including attributed goodwill) and liabilities acquired of €1.5m. has been treated as an adjustment in the merger reserve.

6. Critical accounting estimates and judgements

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

(a) Useful lives of intangible assets
Intangible assets with finite useful life are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Statement of Profit or Loss and Other Comprehensive Income in specific periods. The useful life of all development projects has been estimated at five years from the date of capitalisation. The carrying value at the end of the period was €982,888 and a change in the estimate of useful life from 5 to 3 year would reduce this amount by €249,702 and the amortisation charged to the Statement of Profit and Loss for the year would have increased by €83,191. More details are included in note 17.

(b) Warranty provision
The Group makes a provision of 4% on delivered products within the prior two years for potential warranty claims based on the typical warranty period provided to customers. Management are satisfied that the current provision is appropriate and will review the percentage used on an annual basis as more information becomes available on the warranty position. A change in the provision for warranty by an additional 2% would increase the charge to the Statement of Profit and Loss for the year by €3,109 and the Provision at the end of the year would have increased by €39,211. More details including the warranty provision at the end of the period €78,422 are included in note 28.

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

(d) Estimation of the expected credit losses or trade receivables
In assessing the expected credit losses, in respect of the trade receivables under IFRS 9, the Group considers the past performance of the receivable book along with future factors, that may affect the credit worthiness of the entire trade receivables. Estimations have therefore been made within these assumptions which could affect the carrying value of the trade receivables.

7. Financial instruments - Risk Management

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

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

Notes to the Financial Statements continued

7. Financial instruments - Risk Management (continued)

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

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

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

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

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

Credit risk

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

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

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

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

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

Fair value and cash flow interest rate risk

The Group obtained a loan from Vækstfonden during the period ended 31 December 2012 in the amount of €0,6 million at a fixed interest rate of 12 per cent p.a. The loan is a bullet loan with maturity in June 2020.
This is a fixed rate and therefore the Group has no exposure to any change in interest rates.

An invoice discounting facility is available at a rate of 4.5 per cent above the inter banking interest rate in DKK, EUR and USD. As per 31 December 2018 the total debts under the facility amounted to EUR 10,735 and the exposure to any change in interest rate therefore minimal.

	Currency amount	Euro amount	Interest	Change in interest rate	Euro effect
DKK	50,004	6,696	4.5%	+2.0%	134
EUR	1,695	1,695	4.5%	+2.0%	34
USD	2,668	2,344	7.0%	+2.0%	47
		10,735			215

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.

Foreign exchange risk (continued)

The Group's main foreign currency risk will be the short-term risk associated with accounts receivable and payable denominated in currencies that were not the subsidiary's functional currency. The risk will arise on the difference in the exchange rate between the time invoices were raised/received and the time invoices were settled/paid.

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

The Group's policy is, where possible, to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

Foreign currency risk

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

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

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

Sensitivity analysis

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

The sensitivity analysis assumes that there is no or little risk in respect of the € and the Danish Kroner as the Danish Kroner is 'linked' to the €. The movement in the exchange rate in the last 24 months being 0.44% (2017: 0.24%). The sensitivity related to the RMB is estimated at +/-10%. The movement in the RMB exchange rate in the last 24 months being 7.6% (2017: 3%).

	€		**DKK**		**RMB**		**Total**	
	2018	2017	2018	2017	2018	2017	2018	2017
	€	€	€	€	€	€	€	€
Net foreign currency financial assets/(liabilities)								
€	170.409	158,692	-	-	-	-	170.409	158,692
DKK			(2,522,485)	(947,446)	-	-	(2,522,485)	(947,446)
RMB	-	-	-	-	27,247	75,530	27,247	75,530
Total net exposure	170.409	158,692	(2,522,485)	(947,446)	27,247	75,530	(2,324,829)	(713,224)

Year		Change in rate	Effect on profit before tax €	Effect on other comprehensive income €
2018	RMB	+10%	(2,725)	(2,725)
	RMB	-10%	2,725	2,725
2017	RMB	+10%	(7,553)	(7,553)
	RMB	-10%	7,553	7,553

Notes to the Financial Statements continued

7. Financial instruments - Risk Management (continued)

Liquidity risk

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

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

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

	Up to 3 months €	Between 3 and 12 months €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
At 31 December 2018					
Trade payables	492,822	-	-	-	-
Invoice discounting	10,735	-	-	-	
Other payables and accruals	-	588,456	-	-	-
Loans	1,281	3,959	1,130,476	5,268	-
Total financial liabilities	504,838	592,415	1,130,476	5,268	-
At 31 December 2017					
Trade payables	1,045,516	-	-	-	-
Invoice discounting	121,209	-	-	-	-
Other payables and accruals	-	325,674	-	-	-
Loans	1,211	3,368	5,256	1,018,180	-
Total financial liabilities	1,167,936	329,042	5,256	1,018,180	-

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

Capital Disclosures

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

The Group's objectives when maintaining capital are:

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

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

8. Revenue

Revenue from contracts with customers:

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Sale of product and installation	3,492,775	2,171,647
Rendering of services	7,092	42,017
Revenue	3,499,867	2,213,664

Disaggregation of revenue

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

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

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

9. Loss from operations

Loss from operations is stated after:

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Staff costs (note 11)	**1,337,421**	1,596,493
Expensed research and development costs	**387,540**	119,987
Amortisation [1]	**189,557**	494,709
Depreciation	**64,078**	56,409
Operating lease payments	**143,009**	99,234
Other Operating Income	**(32,201)**	(78,067)
Remuneration received by the Group's auditor or associates of the Group's auditor:		
- Audit of parent company	**6,685**	4,750
- Audit of consolidated financial statements	**26,738**	18,663
- Audit of overseas subsidiaries	**16,154**	13,990
- Taxation compliance services	**641**	6,122
- Ajustment to prior year	**17,354**	-
- Other assurance services	**-**	685

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

10. Segment information

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

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

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

Revenue by geographical location of customer:

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

Geographical information

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

	As at 31 December 2018 €	As at 31 December 2017 €
Denmark	1,170,617	972,148
	1,170,617	972,148

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

11. Directors and employees

	2018 Average	Year end	2017 Average	Year end
Number of employees				
Sales and Services	9	8	9	8
Research and development	11	12	10	10
Production	3	4	2	2
Administration	2	2	2	2
	25	26	23	22

Group

	2018 €	2017 €
Staff costs		
Wages and salaries	1,250,642	1,303,836
Social security costs	60,336	57,241
	1,310,978	1,361,077
Warrant and Option costs	26,443	235,416
	1,337,421	1,596,493

Company

	2018 €	2017 €
Staff costs		
Wages and fees	35,872	-
	35,872	-
Warrant and Option costs	26,443	5,656
	62,315	5,656

The Company has 4 employees (2017: 4), all being the Directors of the Company.

11. Directors and employees (continued)

Key management personnel compensation

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

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

	Wages and salaries and fees €	Fair value of warrant costs €	Pension contributions €	Total €
Year ended 31 December 2018				
Directors	35,872	-	-	35,872
Year ended 31 December 2017				
Directors	-	5,656	-	5,656

12. Finance income and expense

Finance expense

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

13. Income tax

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
(a) **The tax credit for the year**:		
UK Corporation tax	-	-
Foreign tax credit	(120,436)	(66,246)
	(120,436)	(66,246)
(b) **Tax reconciliation**		
Loss on ordinary activities before tax	(913,408)	(2,292,121)
Loss on ordinary activities at the UK standard rate of corporation tax 19% (2017: 19.25%)	(173,548)	(441,943)
Effects of:		
Expenses non-deductible for tax purposes	14,141	51,467
Depreciation for the year (less than)/in excess of capital allowances	(20,386)	71,158
Unrecognised tax losses	95,367	324,106
Different tax rates applied in overseas jurisdictions	(36,010)	(71,034)
Tax credit for the year	(120,436)	(66,246)

The tax credit is recognised as 22 per cent. (2017: 22 per cent) of the company's deficit that relates to research and development costs. Companies in Denmark, who conduct research and development and accordingly experience deficits can apply to the Danish tax authorities for a payment equal to 22 per cent. (2017: 22 per cent) of deficits relating to research and development costs up to DKK 25 million.

(c) **Deferred tax – Group**

In view of the tax losses carried forward and other timing differences there is a deferred tax asset of approximately €2,100,238 (2017: €2,106,853) which has not been recognised in these Financial Statements, given uncertainty around timing and availability of sufficient taxable profits in the relevant Company.

(d) **Deferred tax – Company**

In view of the tax losses carried forward and other differences there is a deferred tax asset of approximately €205,968 (2017: €190,485) which has not been recognised in these Financial Statements, given uncertainty around timing and availability of future profit against which the losses will be able to be used.

All taxes recognized in the Profit and Loss Statement are denominated in DKK.

Notes to the Financial Statements continued

14. Loss per share

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

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

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

15. Dividends

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

16. Investment in Subsidiaries

Company	€
At 1 January 2018	9,394,511
Capital contribution in the year	1,339,172
As at 31 December 2018	10,733,683

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

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

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

Windar Photonics A/S was incorporated on 28 December 2008 in Denmark and acquired by the Company in August 2014. During the year the Company invested the funds received from the share placing in to its main trading subsidiary, Windar Photonics A/S, and an increase in the investment of €1,339,172 was made. In the prior year an intercompany receivable due from Windar Photonics A/S of €1,746,165 was waived and treated as a capital contribution.

Windar Photonics A/S owns 100 per cent. of the issued common stock of Windar Photonics (Shanghai) Co. Ltd. Windar Photonics (Shanghai) Co. Ltd. was incorporated on 18 May 2016 in China with a registered capital of USD 200,000 of which USD 200,000 is paid in as per 31 December 2018.

17. Intangible assets

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

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

Notes to the Financial Statements continued

18. Property, plant & equipment

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

19. Inventory

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

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

20. Trade and other receivables

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

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

Notes to the Financial Statements continued

20. Trade and other receivables (continued)

	More than 30 days past due €	More than 60 days past due €	More than 120 days past due €	Total €
Gross carrying amount	19,500	524,030	84,039	627,569
Loss provision	-	-	(47,541)	(47,541)
Net carrying amount	19,500	524,030	36,498	580,028

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for of current and forward-looking information on factors affecting the Group's customers including the area of operations those debtors and the advancing market for wind power and the Group's products. The assessment of the expected credit risk for the year has not increased, when looking at the factors affecting the risk noted above.

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

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

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

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

Of the net trade receivables €13,096 (2017: €152,407) was pledged as security for the invoice discounting facility. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts of are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

21. Cash and cash equivalents

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

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

The Group has restricted cash balances of € 518,138 (2017: € 234,692) which are not part of cash balances for the cash flow statement. The restricted cash balances relate to transactions entered into between the Group and external financial parties. When EKF has credit approved a customer EKF, issues a non-recourse payment guaranties to an external financial party typically of 80% to 90% of the face value of the transaction. Upon shipment of the products the Group then sells the invoice to the external financial party at face value subject to depositing and pledging a cash amount equal to the difference between the face value of the invoice and the EKF guaranties. When the customer pays typically one year later, the full invoice amount to the financial party, the deposit is paid in full to the Group.

22. Notes supporting statement of cash flows

	Non-current loans and borrowings €	Current loans and borrowings €	Invoice discounting €	Total €
As at 1 January 2017	921,751	4,586	239,528	1,165,865
Repayment of loans	-	(4,580)		(4,580)
Repayment of Invoice Discounting	-	-	(118,320)	(118,320)
Accrued interests on non-current loans	107,937	-	-	107,937
Loans and borrowings classified as non-current in previous period becoming current in this period	(4,579)	4,579	-	-
Foreign exchange rate differences	(1,300)	(6)	-	(1,306)
As at 31 December 2017	1,023,809	4,579	121,208	1,149,596
Repayment of loans	-	(4,579)	-	(4,579)
Repayment of Invoice Discounting	-	-	(110,473)	(110,473)
Accrued interests on non-current loans	120,754	-	-	120,754
Loans and borrowings classified as non-current in previous period becoming current in this period	(5,250)	5,250	-	-
Foreign exchange rate differences	(3,569)	(10)	-	(3,579)
As at 31 December 2018	1,135,744	5,240	10,735	1,151,719

Notes to the Financial Statements continued

23. Trade and other payables

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

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

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

24. Borrowings

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

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

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

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

Both Loans are denominated in Danish Kroner.

The Company had no borrowings.

Notes to the Financial Statements continued

25. Share capital

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

	Authorised 2018	€ 2018	Authorised 2017	€ 2017
Shares at beginning of reporting period	41,808,369	530,543	40,283,979	513,327
Issue of share capital on 2 July 2018	2,700,000	30,316	1,524,390	17,216
Shares at end of reporting period	44,508,369	560,859	41,808,369	530,543

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

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

Warrants and share options

Warrants are granted to Directors and employees.

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

The share options issued in 2017 are valued using the Black-Scholes pricing model and no performance conditions are included in the fair value calculations. The options were issued at a strike price of £1 a third vesting on each anniversary for the first three years. The options have a 10-year life. The price of the share at the time of issue was £0.87. The risk-free rate was 1.15%. The expected volatility is based on historical volatility of the AIM market over the last two years and is estimated to be 40%.

The average share price during the year was 88.25 pence (2017: 89.8 pence). At the year end the Company had the following warrants and options outstanding:

				Number of warrants and options		
	At 31 dec 2017	Granted	Lapsed	At 31 dec 2018	Exercise price (£ pence)	Exercise date
Warrants	1,520,956	-	-	1,520,956	39.07	29/08/14 to 31/12/19
Options	420,000	-	(57,500)	362,500	100.00	6/11/18 to 16/11/27
	1,940,956	-	(57,500)	1,883,456		

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

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

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

26. Reserves

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

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

27. Operating Leases

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

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

All leasing commitments are in respect of property and cars leased by the Group. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 2 to 5 years. After the year end the Company has renewed property leases effectively increasing the lease obligation within one year of €29,007 and lease obligations later than one year and not later than five years of €62,943.

Notes to the Financial Statements continued

28. Warranty provision

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

The Group typically provides a two-year warranty period to customers on products sold. Warranty expenses charged to the Statement of Profit or Loss and Other Comprehensive Income amounted to €9,439 (2017: €49,068) corresponding to a warranty cost percentage of 0.2% (2017: 0.6%) relative to the prior two years revenue. However, due to the early business stage of the Group and the uncertainty following this the Group has adopted a policy to accrue a 4% provision based on the prior two years deliveries calculated with the cost of goods sold at the end of the period.

29. Related Party Transactions

Jørgen Korsgaard Jensen and Johan Blach Petersen are directors and shareholders of Wavetouch Denmark A/S (Wavetouch) and OPDI Technologies A/S (OPDI). Wavetouch has during the year rented office space from Windar Photonics A/S, the amount payable during the year to Windar was €32,196 (2017: €36,512). There were amounts outstanding at the year end to Wavetouch €72,853 (2017: €107,379). At the end of the year there were amounts outstanding to OPDI of €31,426 (2017: € Nil).

Intercompany transactions

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

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 Cantor Fitzgerald Europa One Churchill Place, Canary Wharf London E14 5RB at 1.00 p.m. on 22 July 2019 for the purpose of considering and, if thought fit, passing the resolutions below.

Resolution 5 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 2018 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect S Barrell, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
3. To re-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.
4. To authorise the Directors to fix the remuneration of the auditors.
5. 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 £111,400, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 30 June 2020 (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:

6. That, subject to the passing of resolution 5 above and in substitution for all subsisting authorities to the extent unused, the Directors be generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'CA 2006') to allot equity securities (as defined in section 560 CA 2006) pursuant to the authority referred to in resolution 5, as if section 561(1) CA 2006 did not apply to any such allotment, provided that the power was:

    1. limited to the allotment of equity securities in connection with an offer of equity securities:
        a. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        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 £111,400,

    and shall expire on the earlier of the conclusion of the next annual general meeting and 30 June 2020 (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 27 June 2019
By Order of the Board

Jørgen Korsgaard Jensen

Director

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

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

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 6 is proposed as a special resolution. This means that for this resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Approval of the annual report and accounts

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

Resolutions 2: Re-election of directors

The Company's articles one third of the Directors to retire by rotation at each AGM and at the first AGM following their appointment. The board proposes them for re-election as Directors of the Company. Biographical details of all directors can be found on page 19 of the 2018 annual report.

Resolutions 3 and 4: Auditors reappointment and remuneration

It is a requirement that the Company's auditor must be reappointed at each general meeting at which financial statements are laid, in effect, at each AGM. After considering relevant information, the Audit Committee recommended to the Board the reappointment of BDO LLP. Resolution 3 proposes BDO LLP's reappointment and Resolution 4 authorises the Directors to determine their remuneration.

Resolution 5: 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 £111,400, which is equal to 20% of the nominal value of the current issued share capital of the Company. Such authority will expire at the conclusion of the next AGM of the Company or six months after the Company's accounting reference date, being 30 June 2020 (whichever is the earlier).

Resolution 6: 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 £111,400, which will be equal to 20% of the nominal value of the current issued share capital of the Company, assuming resolution 5 being passed. The Directors believe that the powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next AGM of the Company or six months after the Company's accounting reference date, being 30 June 2020 (whichever is the earlier).

Explanatory Notes to the Notice of Annual General Meeting ("AGM") 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, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, or by scan and email to Share Registrars at voting@shareregistrars.uk.com, not later than 1 p.m. on 18 July 2019.

4.
Completion and return of a Form of Proxy will not prevent a member from attending and voting in person if he or she so wishes.

5.
Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company's register of members not less than 48 hours before the time of the meeting or, in the event that the meeting is adjourned, on the Register of Members of the Company not less than 48 hours before the time of any adjourned meeting, and only such members shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 1 p.m. on 18 July 2019 or, in the event that the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

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

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

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

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

In either case, the revocation notice must be received by Share Registrars no later than 1 p.m. on 18 July 2019.

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

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

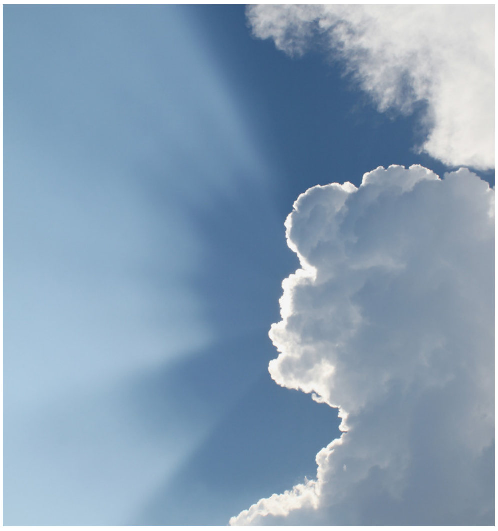
11.
A copy of the proposed draft rules of the EMI and copies of the contracts of service between each executive director and the letters of appointment of the non-executive directors are available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered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

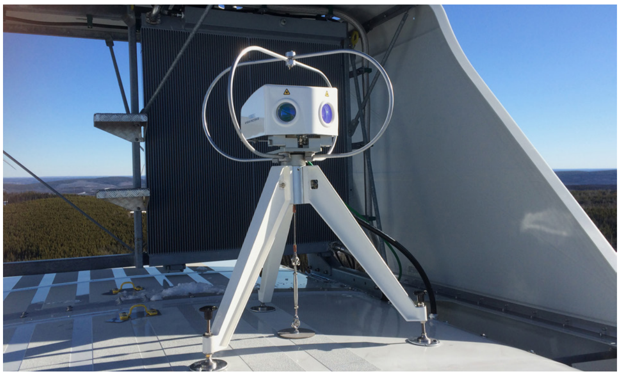
12.
Except as provided above, members who have general queries about the AGM should write to the Company Secretary, Edward Ratnam, 23 Chetwynd Park, Cannock, Staffordshire WS12 0NZ. You may not use any electronic address provided in either this notice of AGM or any related documents including the Form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

As at 5.00 p.m. on the date immediately prior to this notice the Company's issued share capital comprised 44,508,369, 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 44,508,369.

Company Information

Directors	Johan Blach Petersen (Non-executive Chairman) Jørgen Korsgaard Jensen (Chief Executive Officer) Simon Gregory Barrell (Non-executive Director) Søren Høffer (Non-executive Director)
Company Secretary	Edward Ratnam FCA 23 Chetwynd Park Cannock Staffordshire WS12 0NZ
Registered Office	3 More London Riverside London SE1 2AQ
Registered Number	09024532
Auditor	BDO LLP 2 City Place Gatwick RH6 0PA
Nominated Adviser and Broker	Cantor Fitzgerald Europe One Churchill Place, Canary Wharf London E14 5RB
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR





WINDAR PHOTONICS

www.windarphotonics.com