WINDAR PHOTONICS

Windar Photonics plc

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2015

Contents

Company Information

Directors	John Pix Weston *(Non-executive Chairman)* Martin Rambusch *(Chief Executive Officer)* Jørgen Korsgaard Jensen *(Chief Operating Officer)* Simon Gregory Barrell *(Non-executive Director)* Johan Blach Petersen *(Non-executive Director)*
Company Secretary	Edward Ratnam FCA 23 Chetwynd Park Cannock Staffordshire WS12 0NZ
Registered Office	3 More London Riverside London SE1 2AQ
Registered Number	09024532
Auditors	BDO LLP 2 City Place Gatwick RH6 0PA
Nominated Adviser and Broker	Cantor Fitzgerald Europe One Churchill Place, Canary Wharf London E14 5RB
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

Chairman's Statement

Dear Shareholder

Although financial performance in 2015 was somewhat disappointing, due to distribution problems with one distributor in China, which delayed the build up of sales, there was a lot to be positive about. Our growth expectations for the year were based largely on sales to the Chinese market, our largest customer in 2014. These did not materialise largely due to the distribution problems in China and in January Windar terminated the distribution agreement in China. The termination entails a six-month notice period in accordance with the terms of the agreement. The management and their legal advisors are confident that they have the full right to enforce the termination of the contract. In future Windar will sell directly to OEMs and larger wind park operators in China, and we are seeing good levels of interest.

For the full year ending 31 December 2015, the Group achieved revenue of €945,905 (2014 €1,038,673). The loss for the year after taxation amounted to €3,785,127 (2014: loss €2,613,859). The results include warrant expenses of €365,494 (2014: €103,107) and costs related to the introduction on AIM on 31 March 2015 of €222,634 (2014: €668,724). The results reflect not only the distribution problems in China but also the investment in the planned growth of the business.

During 2015 the Group developed both new products and enhanced functionality on some of our existing products. Towards the end of 2015 we added the 4-beam WindVision™ system to the 2 beam WindEye™. This new wind sensor is primarily targeted at new turbine designs from the OEMs and adds the ability to measure wind shear and hence control the turbine blades to optimise the loads on new turbine designs. The new product is based on a newly developed cost efficient beam steering technology for which the company filed a patent application at the end of 2015.

Also in 2015 the Group launched a new Turbine Control System capable of being retro fitted directly to certain turbine models. Compared to our WindTimizer™ the integrated retrofit solution allows not only for turbine yaw optimisation, but also blade load optimisation on existing wind turbines. Finally, the Group introduced a wake detection feature for load optimisation of wind turbines standing in the wake of other turbines. This feature is implemented on both of the current system platforms. We have introduced some significant improvements to WindEye™ during the year, resulting in a more robust product that is easier to install. These modifications have also simplified assembly and reduced costs.

The Group also announced at the half year its first volume order for retrofitting a wind park with our WindEye™ LIDAR and our new Turbine Control System from a US utility company. The contract value is approximately US$900,000 with delivery in 2016, an important milestone for the Group.

In the autumn of 2015 Windar A/S moved to new facilities in Copenhagen which supports the capacity for the planned growth for the foreseeable future.

The Windar organisation in China today consists of 4 employees and will gradually be enlarged. Having resolved the Chinese distribution issues, we are seeing good levels of interest from both OEMs and wind park operators, which confirms our confidence in this as an important market for Windar. We also made some good progress in the US and European markets, with the groundwork carried out in 2015 resulting in some promising sales. We have also had some excellent reactions from some of the most important OEMs in looking to work with us to integrate WindEye™ into their wind turbines. Due to the development lead times involved, it will take some time before these opportunities result in volume sales but these programmes should start producing revenue in 2016 and hold great promise for the future. We have strengthened our local presence in China, Spain and North America, to ensure cost effective installations, good responsiveness to our customers, and high levels of service, important in gaining our customers' confidence when trialling our products.

The market presence of the Group and its products were enhanced by successful attendance at all major Wind Fairs/Exhibitions in the three major operating regions. These activities have helped the Group have a far broader market and customer base going forward thus reducing our dependencies on single customers/markets.

DNV-GL recertified our compliance with ISO9001, 14001 and 18001 and we continue to set high quality standards.

The need to provide increased payback on wind turbine assets, particularly in an environment where subsidies are reducing, and the trend to larger turbines underpins the benefits offered by our products and the board is confident in the potential for the future.

Chairman's Statement
continued

The Company announced on 6 May 2016 that has raised approximately £1.0 million (€1.2 million) by way of a subscription for 885,502 ordinary shares of 1 pence each at 110 pence per share. It also announced that Windar Photonics A/S has agreed a factoring facility with Nordea Bank Denmark A/S, the largest financial services group in the Nordic and Baltic region, for an initial facility of up to €400,000 with an understanding to increase later in the year up to €1.5 million, as the Company makes further progress with orders for its WindEye™ LIDAR units.

The company remains confident for 2016 and the future, and I would like to take the opportunity to thank the management and staff for their efforts in 2015.

John Weston
Chairman

Date 6 June 2016

Strategic Report

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES OF THE GROUP

Windar Photonics is a technology group that has developed and sells a cost efficient and innovative Light Detection and Ranging 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 product is the WindEye™ Sensor which measures wind direction and wind speed by scanning a laser beam ahead of the wind turbine. The WindEye™ Sensor was designed for the general optimisation of wind turbines. During the year the Group released three new products, the WindTIMIZER™ (previously known as the WindSwitch switchbox), the new Turbine Control System for certain turbine models and a new 4-beam LIDAR System for OEM integration.

REVIEW OF THE BUSINESS

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

FUTURE DEVELOPMENTS IN THE BUSINESS

Wind Park Operators are primarily interested in achieving better yaw alignment of existing wind turbines thereby potentially increasing power output. One method of achieving this is by fitting a LIDAR wind sensor such as the WindEye™ Sensor. Original Equipment 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 Wind Park Operators and OEMs with on going trials in both of the Group's key markets. As announced early 2016, the group is now seeing orders for multiple units from both markets and due to the flexibility that our LiDAR product offers in terms of both retrofit or new turbine deployment to asset owners.

In January 2016 Windar terminated the agreement with the distributor for China due to agreed sales targets for 2015 not being achieved. The termination was done with a six-month notice following the terms of the distribution agreement. Management and their legal advisors are confident that they have the full right to terminate the agreement. Windar will now sell directly to OEMs and larger park owners in China. The Windar organisation in China today consists of 4 employees and will gradually be enlarged.

GROUP RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to €3,785,127 (2014: Loss €2,613,859).

In the year ended 31 December 2015, Windar Photonics achieved revenue of €945,905 (2014 €1,038,673) from sales of WindEye™ Sensors for installation to a combination of Wind Park Operators and OEMs. The Directors anticipate significant growth in future order volumes.

No dividends are payable for the year under review.

PRINCIPAL RISKS AND UNCERTAINTIES

Sales cycle

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 cashflow and increase project costs. Further, there can be no guarantee that the commencement of such negotiations will result in successful addition of a client and, as such, significant time may be spent and expense may be incurred without return for the Group.

As the Group increases its presence in the market and is undertaking projects with both 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.

Strategic Report
continued

Products and services failure

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

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

KEY PERFORMANCE INDICATORS

The Group considers the available cash balances, revenue and employee numbers as the current key performance indicators of the business as it has been in a start-up position.

At 31 December 2015 the Group had cash balances of €593,907 (2014: €5,548,596).

Revenue for the year was €945,905 (2014 €1,038,673). The revenue for the period reflects the lower sales in Asia as previously discussed and the Group has terminated the distribution contract for that area.

Employee numbers at 31 December 2015 were 31 (2014: 21). The Group endeavours to employ 30 members of staff and this is the position as at May 2015.

BY ORDER OF THE BOARD ON 6 June 2016

Martin Rambusch
Director

Directors' Report

The Directors present their report and the Financial Statements for the year ended 31 December 2015.

FUTURE DEVELOPMENTS

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

DIRECTORS

The Directors of the Company during the year were:

John Pix Weston
Martin Rambusch
Jørgen Korsgaard Jensen
Simon Gregory Barrell
Johan Blach Petersen
Niels Vejrup Carlsen (Resigned 29 February 2016)

DIRECTORS' INTERESTS

	As at 31 December 2015			As at 2 June 2016		
	Ordinary Shares	Per cent	Warrants	Ordinary Shares	Per cent	Warrants
John Weston	50,000	0.13%	50,000	50,000	0.13%	50,000
Martin Rambusch	–	–	1,520,956	–	–	1,520,956
Jørgen Koragaard Jensen (held by Pasinika S.a.r.l. see below)	6,923,938	18.14%	–	6,923,938	17.73%	–
Simon Barrell	25,000	0.07%	25,000	25,000	0.06%	25,000
Johan Petersen (held by J Blach Petersen BD A/S see below)	1,947,286	5.10%	–	1,947,286	4.99%	–

SIGNIFICANT SHAREHOLDERS

Shareholders who have notified the company of shareholdings in excess of 3% as at 2 June 2016 are as follows:

	Number of ordinary shares	Percentage
SEED Capital Denmark II K/S	7,063,674	18.09%
Pasinika S.a.r.l.	6,923,938	17.73%
DTU Symbion Innovation A/S	4,175,333	10.69%
M.M. 26 Holding A/S	4,033,973	10.33%
Danmarks Tekniske Universitet	2,352,990	6.03%
Milton Holding Horsens A/S	2,119,400	5.43%
Artemis Investment Management LLP	2,000,000	5.12%
J Blach Petersen BD A/S	1,947,286	4.99%
Investeringsselskabet af 11 august 2005	1,659,101	4.25%

DIRECTORS' BIOGRAPHIES

John Weston (Non-Executive Chairman), aged 64

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

John's previous chairmanships include Acra Controls Ltd, AWS Electronics plc, Insensys plc, Inbis plc, iSOFT plc, MB Aerospace Holdings Ltd, University for Industry Ltd,, and Spirent plc and he currently acts as chairman of Fibercore, Accesso Technology Group plc, Brittpac plc, and Prodriove Composites Ltd.

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

Directors' Report
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Martin Rambusch (Chief Executive Officer), aged 42

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

Jørgen Korsgaard Jensen (Chief Operating Officer and Founder), aged 53

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

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

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

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

Simon Barrell (Senior Independent Non-Executive Director), aged 57

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

Johan Blach Petersen (Non-Executive Director), aged 64

Johan Blach Petersen is an experienced business development consultant and has provided such services through J. Blach Petersen Business Development A/S since 1987. He serves as Chairman in a number of companies including M2Film A/S, M2 Entertainment Ltd, London, Picture This Studio Ltd, Bangkok, Bila A/S, JMM Group A/S, Loevschall A/S, Trifork AG, Teknikgruppen A/S, Tuco Marine Group A/S, TrimIt A/S, Lindcon A/S Østergaard Møbelindustri A/S, OPDI Technologies A/S, Global Car Leasing A/S, and Kinnan A/S. Prior to forming his own business in 1981 he was a management consultant as well as he served as the Trade Commissioner for Denmark in Houston, Texas. Johan was educated at the Aarhus Business School, holding two business degrees: HA and HD.

Directors' Report
continued

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 2015				
Executive Directors				
Martin Rambusch	144,800	–	358,807	503,607
Jørgen Korsgaard Jensen	–	64,355	–	64,355
Non-executive Directors				
John Weston	–	67,751	4,558	72,309
Simon Barrell	–	44,038	2,229	46,267
Johan Blach Petersen	–	13,407	–	13,407
Niels Vejrup Carlsen (resigned 29 February 2016)	–	–	–	–
Total	144,800	189,551	365,494	699,845
Year ended 31 December 2014				
Executive Directors				
Martin Rambusch	198,530	–	102,720	301,250
Jørgen Korsgaard Jensen	64,388	80,485	–	144,873
Non-executive Directors				
John Weston (appointed 8 December 2014)	–	5,324	228	5,552
Simon Barrell (appointed 8 December 2014)	–	2,662	129	2,791
Johan Blach Petersen	–	–	–	–
Niels Vejrup Carlsen	–	–	–	–
Stig Gert Ersgaard (resigned 8 January 2015)	–	53,657	–	53,657
Total	262,918	142,128	103,107	508,153

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 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.

Directors' Report
continued

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, and following the capital raise and the factoring facilities put in place in April 2016, these projections indicated that the Group expects to have sufficient liquid resources for a period of at least twelve months from the date of signing of these financial statements, to meet its obligations under all reasonably expected circumstances.

EMPLOYMENT POLICIES

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

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

CREDITOR PAYMENT POLICIES

The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. Payment terms for the year ended 31 December 2015 averaged 42 days (2014: 30 days).

TREASURY POLICY

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

Compliance with these policies is monitored by the Board. Other than for currency disclosures, the Group has taken advantage of the exemption permitting it not to treat short-term debtors and creditors as financial instruments.

RESEARCH AND DEVELOPMENT

The Group continues to undertake research and development into LiDAR technology. During the year the group spent €1,092,953 (2014: €678,890) on research and development of which €570,087 (2014: €304,491) has been capitalised as an intangible asset.

The Group has received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €261,065 (2014: €96,758) in respect of the capitalised research and development. The Group has the ability to claim a further €5,000 (2014: €266,065) of grants in future years in respect of on-going Research and Development.

POST BALANCE SHEET EVENTS.

In January 2016 Windar terminated the agreement with the distributor for China due to agreed sales targets for 2015 not being achieved. The termination was done with a six-month notice following the terms of the distribution agreement. Management and their legal advisors are confident that they have the full right to terminate the agreement. Windar will now sell directly to OEMs and larger park owners in China. The Windar organisation in China today consists of 4 sales persons and will gradually be enlarged.

The Company announced on 6 May 2016 that it has raised approximately £1.0 million (€1.2 million) by way of a subscription for 885,502 ordinary shares of 1 pence each at 110 pence per share. It also announced that Windar Photonics A/S has agreed a factoring facility with Nordea Bank Denmark A/S, the largest financial services group in the Nordic and Baltic region, for an initial facility of up to €400,000 with an understanding to increase later in the year up to €1.5 million, as the Company makes further progress with orders for its WindEYE™ LIDAR units. The group therefore has ensured its cash position for the foreseeable future.

Directors' Report
continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, the director's report 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 and Company 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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 company'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 auditors are unaware.

Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

BY ORDER OF THE BOARD ON 6 June 2016

Martin Rambusch
Director

Corporate Governance Statement

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

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

BOARD OF DIRECTORS

The Board includes 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.

BOARD COMMITTEES

Audit Committee

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

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

Nomination Committee

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

PERFORMANCE EVALUATION

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

Corporate Governance Statement
continued

COMMUNICATION WITH SHAREHOLDERS

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

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

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

AUDIT AND INTERNAL CONTROL

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

The Board 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 2015 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 Financial Statements and monitoring of results against budgets;
- Board control over treasury, taxation, legal, insurance and personnel issues; and
- Board control over appraisal, review and authorisation of capital expenditure.

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

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

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

GOING CONCERN

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

Independent Auditor's Report

to the members of Windar Photonics plc

We have audited the financial statements of Windar Photonics plc for the year ended 31 December 2015 which comprise of the consolidated statement of comprehensive income and other comprehensive income, consolidated statement of financial position and company statement of financial position, the consolidated cash flow statement, the company cash flow statement, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

John Everingham (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom
Date 6 June 2016

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Revenue	8	945,905	1,038,673
Cost of goods sold		(678,524)	(678,150)
Gross profit		267,381	360,523
Administrative expenses		(3,850,187)	(2,201,401)
Administrative expenses – Costs in respect of the Introduction and Listing on AIM		(222,634)	(668,724)
Loss from operations	9	(3,805,440)	(2,509,602)
Finance income	12	–	84,985
Finance expenses	12	(100,211)	(259,554)
Loss before taxation		(3,905,651)	(2,684,171)
Taxation	13	120,524	70,312
Loss for the year		(3,785,127)	(2,613,859)
Other comprehensive income			
Items that will or maybe reclassified to profit or loss:			
Exchange gains/(losses) arising on translation of foreign operations		351	(8,440)
Total comprehensive loss for the year		(3,784,776)	(2,622,299)
Loss per share for loss attributable to the ordinary equity holders of Windar Photonics plc			
Basic, cents per share	15	(0.10)	(0.08)
Diluted, cents per share		(0.10)	(0.08)

The notes on pages 21 to 38 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 €	31 December 2014 €
Assets			
Non-current assets			
Intangible assets	18	1,120,209	1,147,510
Property, plant & equipment	19	144,275	31,989
Deposits		98,096	15,161
Total non-current assets		1,362,580	1,194,660
Current assets			
Inventory	20	769,624	248,113
Trade receivables	21	795,766	493,283
Other receivables	21	397,168	352,092
Prepayments		75,993	13,671
Cash and cash equivalents	22	593,907	5,548,596
Total current assets		2,632,458	6,655,755
Total assets		3,995,038	7,850,415
Equity			
Share capital	25	487,688	487,688
Share premium	26	6,994,646	6,994,646
Merger reserve	26	2,910,866	2,910,866
Foreign currency reserve	26	(10,541)	(10,892)
Accumulated loss	26	(7,702,123)	(4,282,490)
Total equity		2,680,536	6,099,818
Non-current liabilities			
Loans	24	826,705	717,064
Total non-current liabilities		826,705	717,064
Current liabilities			
Trade and other payables	23	187,655	913,283
Other liabilities	23	295,839	120,250
Loans		4,303	—
Total current liabilities		487,797	1,033,533
Total liabilities		1,314,502	1,750,597
Total equity and liabilities		3,995,038	7,850,415

The financial statements were approved and authorised for issue by the Board of Directors on 6 June 2016 and were signed below on its behalf by:

Martin Rambusch

Director

The notes on pages 21 to 38 form part of these financial statements.

Company Statement of Financial Position
As at 31 December 2015

	Note	31 December 2015 €	31 December 2014 €
Assets			
Non-current assets			
Investments in subsidiaries	17	4,285,604	1,069,524
Total non-current assets		4,285,604	1,069,524
Current assets			
Other receivables	21	16,163	25,659
Prepayments		18,324	–
Intragroup receivable	21	2,582,968	1,445,994
Cash and cash equivalents	22	470,185	5,456,372
Total current assets		3,087,640	6,928,025
Total assets		7,373,244	7,997,549
Equity			
Share capital	25	487,688	487,688
Share premium	26	6,994,646	6,994,646
Merger reserve	26	658,279	658,279
Foreign currency reserve	26	(7,746)	(7,746)
Accumulated loss	26	(787,034)	(681,160)
Total equity		7,345,833	7,451,707
Current liabilities			
Trade and other payables	23	551	537,856
Other liabilities	23	26,860	7,986
Total liabilities		27,411	545,842
Total equity and liabilities		7,373,244	7,997,549

The financial statements were approved and authorised for issue by the Board of Directors on 6 June 2016 and were signed below on its behalf by:

Martin Rambusch
Director

The notes on pages 21 to 38 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Loss for the period before taxation		(3,905,651)	(2,684,171)
Adjustments for:			
Finance income	12	–	(84,985)
Finance expenses	12	100,211	259,554
Amortisation	18	333,614	319,323
Depreciation	19	62,758	7,882
Received tax credit		70,407	118,480
Foreign exchange differences		(354,072)	(7,644)
Net movement on conversion of bonds		–	(78,226)
Warrants expense		365,494	103,107
		(3,372,239)	(2,046,710)
Movements in working capital			
Changes in inventory		(521,511)	(101,089)
Changes in receivables		(442,699)	(666,871)
Changes in trade payables		(725,629)	247,960
Changes in other payables		175,589	465,241
Cash flow from operations		(4,841,489)	(2,101,372)
Investing activities			
Payments for intangible assets		(570,087)	(304,491)
Payments for tangible assets		(175,179)	(22,387)
Grants received		261,065	96,758
Cash flow from investing activities		(484,201)	(230,120)
Financing activities			
Proceeds from issue of share capital		–	7,552,675
Costs associated with the issue of share capital		–	(481,587)
Issue of convertible debt		–	737,779
Costs associated with the issue and conversion of bonds		–	(183,933)
Proceeds from new loan		29,802	–
Interest paid		(14,367)	(5,813)
Cash flow from financing activities		15,435	7,630,747
Net (decrease)/increase in cash and cash equivalents		(5,310,255)	5,299,255
Exchange differences		355,566	(581)
Cash and cash equivalents at the beginning of the year		5,548,596	249,922
Cash and cash equivalents at the end of the year		593,907	5,548,596

The notes on pages 21 to 38 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Loss for the period before taxation		(471,368)	(784,267)
Adjustments for:			
Finance income		–	(8,383)
Finance expenses		2,015	288
Foreign exchange difference		(355,566)	(7,746)
Warrants expense		365,494	103,107
		(459,425)	(697,001)
Movements in working capital			
Changes in receivables		9,496	(25,659)
Changes in prepayments		(18,324)	–
Changes in trade payables		(537,305)	537,857
Changes in other payables		18,874	7,986
Cash flow from operations		(986,684)	(176,817)
Investing activities			
Loan to subsidiary entity		(1,136,974)	(1,445,994)
Capital contribution to subsidiary entity		(3,216,080)	–
Cash flow from investing activities		(4,353,054)	(1,445,994)
Financing activities			
Proceeds from issue of share capital		–	7,552,675
Costs associated with the issue of share capital		–	(481,587)
Interest received		–	8,383
Interest paid		(2,015)	(288)
Cash flow from financing activities		(2,015)	7,079,183
Net (decrease)/increase in cash and cash equivalents		(5,341,753)	5,456,372
Exchange differences		355,566	–
Cash and cash equivalents at the beginning of the year		5,456,372	–
Cash and cash equivalents at the end of the year		470,185	5,456,372

The notes on pages 21 to 38 form part of these financial statements.

Consolidated and Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share Capital €	Share Premium €	Merger reserve €	Foreign currency reserve €	Accumulated Losses €	Total €
Group						
At 1 January 2014	411,245	-	1,551,502	(2,452)	(1,789,865)	170,430
Issue of shares on incorporation	3	-	-	-	-	3
Effects of bonds conversion in subsidiary	–	–	1,359,364	–	18,127	1,377,491
New shares issued	75,518	7,476,233	-	-	-	7,551,751
Costs associated with capital raise	–	(572,889)	–	–	–	(572,889)
New shares issued in respect of services rendered	922	91,302	–	–	–	92,224
Share option and warrant costs	–	–	–	–	103,107	103,107
Transaction with owners	76,443	6,994,646	1,359,364	-	121,234	8,551,687
Comprehensive loss for the year	–	–	–	–	(2,613,859)	(2,613,859)
Other comprehensive loss	–	–	–	(8,440)	–	(8,440)
Total comprehensive income				(8,440)	(2,613,859)	(2,622,299)
At 31 December 2014	487,688	6,994,646	2,910,866	(10,892)	(4,282,490)	6,099,818
Share option and warrant costs	–	–	–	–	365,494	365,494
Transaction with owners	–	–	–	–	365,494	365,494
Comprehensive loss for the year	–	–	–	–	(3,785,127)	(3,785,127)
Other comprehensive gain	–	–	–	351	–	351
Total comprehensive income	–	–	–	351	(3,785,127)	(3,784,776)
At 31 December 2015	487,688	6,994,646	2,910,866	(10,541)	(7,702,123)	2,680,536
Company						
Issue of shares on incorporation	3	–	–	–	–	3
Shares issued on acquisition of subsidiary company	411,245	–	658,279	–	–	1,069,524
New shares issued	75,518	7,476,233	–	–	–	7,551,751
Costs associated with capital raise	–	(572,889)	–	–	–	(572,889)
New shares issued in respect of services rendered	922	91,302	–	–	–	92,224
Share option and warrant costs	–	–	–	–	103,107	103,107
Transaction with owners	487,688	6,994,646	658,279	–	103,107	8,243,720
Comprehensive loss for the year	–	–	–	–	(784,267)	(784,267)
Other comprehensive loss	–	–	–	(7,746)	–	(7,746)
Total comprehensive income	–	–	–	(7,746)	(784,267)	(792,013)
At 31 December 2014	487,688	6,994,646	658,279	(7,746)	(681,160)	7,451,707
Share option and warrant costs	–	–	–	–	365,494	365,494
Transaction with owners	–	–	–	–	365,494	365,494
Comprehensive loss for the year	–	–	–	–	(471,368)	(471,368)
Total comprehensive income	–	–	–	–	(471,368)	(471,368)
At 31 December 2015	487,688	6,994,646	658,279	(7,746)	(787,034)	7,345,833

The notes on pages 21 to 38 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

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, effective from 1 January 2015, have not had a material effect on the financial statements.

The amendments and interpretations to published standards that have an effective date on or after 1 January 2016 or later periods have not been adopted early by the Group and are not expected to materially affect the Group when they do come in to effect.

3. Going Concern

The consolidated financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Based on the Group's latest trading expectations and associated cash flow forecasts, the directors have considered the cash requirements of the Group. Following the year end the Group has received further funding of €1,000,000 by way of a subscription for 885,502 ordinary shares of 1 pence each at 110 pence per share. Its subsidiary, Windar Photonics A/S has also agreed a factoring facility with Nordea Bank Denmark A/S for an initial facility of up to €400,000. 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 these financial statements. It is on that basis they continue to adopt the going concern basis of accounting in preparing these financial statements.

4. Accounting policies

Basis of preparation

The consolidated financial statements comprises the consolidated financial information of the Group as at 31 December 2015 and are prepared under the historic cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below.

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the periods presented.

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

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

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

During the year the directors have reclassified some of the categories within the consolidated and company cash flow statements. They have also reflected the cost of investment in subsidiary in the company balance sheet at 31 December 2015 at the carrying amount of its share of the equity items in Windar Photonics A/S's financial statements at the date of the reorganisation, 1 June 2014. This has resulted in an increase in the investment in subsidiary balance of €658,279 and a corresponding increase in the merger reserve.

Notes to the Financial Statements
continued

4. Accounting policies *continued*

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

Loans made 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.

The board considered the functional currency of the Parent Company to be Pounds Sterling in the previous financial statement. As the Parent Company primarily provides funds for the subsidiary companies in Euro the board has reassessed the functional currency of the Parent Company as Euro.

Transactions and balances

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

Revenue

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

Foreign currency

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

Segment reporting

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

Financial assets and liabilities

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

Notes to the Financial Statements
continued

4. Accounting policies *continued*

The accounting policy for loans and receivables are as follows:

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

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

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

The accounting policy for other financial liabilities is as follows:

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

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

IFRS 13 fair value measurement

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

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

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

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

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

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

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability.

The Company's ordinary shares are classified as equity instruments.

Notes to the Financial Statements
continued

4. Accounting policies *continued*

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

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

All other borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

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

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

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

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

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

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

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

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

Plant and equipment over 3 – 5 years

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

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

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

- Technical feasibility of completing the intangible asset so that It will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset

Notes to the Financial Statements
continued

4. Accounting policies *continued*

Intangible assets – Development project continued

- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in Statement of Comprehensive Income in the period in which it is incurred.

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

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

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, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance and depreciation and impairment losses on machinery and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost. The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Provisions

Provisions are recognised for liabilities of uncertain timing or amounts that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Grants

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

Grants are recognised either in Statement of Comprehensive Income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate or where they related directly to capitalised costs they are netted off the cost of the assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in Statement of Comprehensive Income in the period in which they become receivable.

Share based payments

The Group operates a 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. To date no equity based compensation have been issued save the warrants issued as disclosed in note 25.

Notes to the Financial Statements
continued

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 2015 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Under the merger method, the income, expense, assets and liabilities of Windar Photonics A/S have been included in the consolidated financial statements of Windar Photonics plc as if it had always been a member of the group, taking into account the original acquisition date of the wider Group. The amounts attributed to the assets (including goodwill) and liabilities of Windar Photonics A/S therefore reflect their 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 judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Useful lives of intangible assets

Intangible assets with finite useful life are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Statement of Comprehensive Income in specific periods. More details including carrying values are included in notes.

(b) Fair value measurements and valuation processes

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

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

(c) Warranty provision

The group makes provision for potential warranty claims as a percentage of the revenue in respect of contracts where warranties are given. Management are satisfied that the current provision is appropriate and will review the percentage used on an annual basis as more information becomes available on the warranty position.

(d) Impairment of intangible assets

In assessing impairment, Management estimates the recoverable amount of cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board has in 2015 received quarterly reports and will in 2016 receive monthly reports from the finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group seeks to receive prepayments for all orders, and are in the process of negotiating contracts with major customers which also includes negotiating payment terms. Credit risks will arise as some of the customers demand credit. However, the customers are primarily large windmill manufacturers or large windmill utility providers where the risk of bankruptcy or other financial difficulties is low, hence the Group's exposure to credit risk from trade and other receivables is considered insignificant.

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

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

Fair value and cash flow interest rate risk

The Group obtained a bullet loan from Vækstfonden during the period ended 31 December 2012 in the amount of € 0,6 million at a fixed interest rate of 12 per cent p.a. The borrowing is a bullet loan with maturity in June 2020.

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

Foreign exchange risk

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

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

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

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

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

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

	Up to 3 months €	Between 3 and 12 months €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
At 31 December 2015					
Trade payables	187,655	–	–	–	–
Other payables	295,839	–	–	–	–
Loans	1,052	3,251	9,618	817,287	–
Total financial liabilities	484,546	3,251	9,618	817,287	–
At 31 December 2014					
Trade payables	413,508	–	–	–	–
Other payables	120,250	–	–	–	–
Loans	–	–	–	717,064	–
Total financial liabilities	533,758	–	–	–	–

More details in regard to the line items are included in notes 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 arises from:

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Sale of goods and services	945,905	1,038,673

Notes to the Financial Statements
continued

9. Loss from operations

Loss from operations is stated after:

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Staff costs (note 11)	1,725,983	972,331
Expensed research and development costs	522,866	374,399
Amortisation[1]	333,614	319,323
Depreciation	62,758	7,882
Remuneration received by the group's auditor or associates of the Group's auditor:		
– Audit of parent company	3,784	6,317
– Audit of consolidated financial statements	15,603	12,634
– Audit of overseas subsidiaries	16,933	22,804
– Audit related assurance services	2,714	–
– Corporate finance costs	–	142,451
– Taxation compliance services	8,058	–
– Other taxation services	15,264	–
– Other assurance services	7,919	–
Cost in respect of the Introduction and Listing on AIM[2]	224,634	526,273

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

[2] The Group listed on the AIM market on 31 March 2015. The costs recognised in 2014 relate to accrued costs in respect of the future listing at that date and costs in 2015 representing the final costs incurred.

10. Segment information

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

The Group has one reportable segment being the sale of LIDAR Wind Measurement.

In 2015, one customer accounted for more than 10 per cent of the revenue. The total amount of revenue from this customer amounted to €213,519 or 23 per cent of the revenue (2014: 1 customer accounted for more than 10 per cent totalling €811,330 or 78 per cent of total revenue).

Revenue by geographical location

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Europe	304,775	48,842
Americas	283,787	126,541
Asia	357,343	863,290
Revenue	945,905	1,038,673

Geographical information

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

	As at 31 December 2015 €	As at 31 December 2014 €
Denmark	1,264,484	1,179,499
	1,264,484	1,179,499

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

Notes to the Financial Statements
continued

11. Directors and employees

	2015		2014	
	Average	Year end	Average	Year end
Number of employees				
Selling and distribution	8	11	5	6
Research and development	10	12	8	9
Production	2	3	1	2
Administration	5	5	3	4
	25	31	17	21

	2015 €	2014 €
Staff costs		
Wages and salaries	1,308,581	849,749
Social security costs	51,908	19,475
	1,360,489	869,224
Warrant costs	365,494	103,107
	1,725,983	972,331

The information required by the Companies Act is contained in the Directors' Report on page 7.

Key management personnel compensation

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

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

	Wages and salaries €	Fair value of warrant costs €	Pension contributions €	Total €
Year ended 31 December 2015				
Directors	334,351	365,494	–	699,845
Year ended 31 December 2014				
Directors	405,046	103,107	–	508,153

12. Finance income and expense

Finance income

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Fair value adjustments on derivatives	–	84,985
Finance income	–	84,985

Finance expense

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Interest expense on financial liabilities measured at amortised cost	(100,211)	(259,554)
Finance expense	(100,211)	(259,554)

Notes to the Financial Statements
continued

13. Income tax

		Year ended 31 December 2015 €	Year ended 31 December 2014 €
(a)	**The tax credit for the year:**		
	Corporation tax	(120,524)	(70,312)
(b)	**Tax reconciliation**		
	Loss on ordinary activities before tax	(3,905,651)	(2,684,171)
	Loss on ordinary activities at the UK standard rate of corporation tax 20%	(781,130)	(536,834)
	Effects of:		
	Expenses non-deductible for tax purposes	114,976	86,533
	Deferred tax not recognised	(9,408)	–
	Unutilised tax losses	817,856	441,648
	Different tax rates applied in overseas jurisdictions	(142,304)	8,653
	Tax credit on research and development	(120,524)	(70,312)
	Tax credit for the year	(120,524)	(70,312)

The tax credit is recognised as 25 per cent. of the company's deficit that relates to research and development ('R&D'). Companies in Denmark, who conduct research and development and accordingly experience deficits can apply to the Danish tax authorities for a payment equal to 23.5 per cent. of deficits relating to R&D up to DKK 25 million.

(c) Factors which may affect future tax charges

In view of the tax losses carried forward there is a deferred tax amount of approximately €1,572,060 (2014: €754,198) which has not been recognised in these Financial Statements. This contingent asset will be realised when the Group makes sufficient taxable profits in the relevant Company.

(d) Deferred tax – Company

In view of the tax losses carried forward there is a deferred tax amount of approximately €223,051 (2014: €156,853) which has not been recognised in these Financial Statements. This contingent asset will be realised when the company can demonstrate future profit against which the losses will be able to be used.

14. Result in Windar Photonics plc

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The Company's loss for the financial year is €471,368 (2014: €784,267) after costs in relation to the acquisition of subsidiaries) which is dealt with in the financial statements of the parent Company.

15. Loss per share

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

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Loss for the year	(3,785,127)	(2,613,859)
Weighted average number of ordinary shares for the purpose of basic earnings per share	38,166,377	33,317,654
Basic loss, cents per share	(0.10)	(0.08)
Diluted loss, cents per share	(0.10)	(0.08)

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

Notes to the Financial Statements
continued

16. Dividends

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

17. Investment in Subsidiaries

	€
Company	
At 1 January 2015	1,069,524
Capital contribution in the year	3,216,080
As at 31 December 2015	4,285,604

The principal subsidiaries of Windar Photonics plc are included in these financial statements in accordance with the merger accounting as set out in the basis of preparation and basis of consolidation in notes 1 and 4, are as follows:

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

The Company owns 100 per cent. of the issued share capital of Windar Photonics A/S (comprising A Shares of DKK 5,737,800 of 1 DKK each and B Shares of DKK 3,642,592 of 1 DKK each) with CVR number 32157688. Windar Photonics A/S was incorporated on 28 December 2008 in Denmark and acquired by the Company in August 2015. During the year the Company made a capital contribution to Windar Photonics A/S of €3,216,080.

Windar Photonics A/S owns 100 per cent. of the issued common stock of Windar Photonics Inc. (comprising one hundred shares of common stock). Windar Photonics Inc. was incorporated on 18 August 2015 in the State of Delaware.

Notes to the Financial Statements
continued

18. Intangible assets

Group	Development projects €
Cost	
At 1 January 2014	1,567,301
Additions – internally developed	304,491
Grants received	(96,758)
Exchange differences	174
At 31 December 2014	1,775,208
Additions – internally developed	570,087
Grants received	(261,065)
Exchange differences	(4,373)
At 31 December 2015	2,079,857
Accumulated amortisation	
At 1 January 2014	307,967
Charge for the year	319,323
Exchange differences	408
At 31 December 2014	627,698
Charge for the year	333,614
Exchange differences	(1,664)
At 31 December 2015	959,648
Net carrying value	
At 31 December 2014	1,147,510
At 31 December 2015	1,120,209

The Group has received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €261,065 (2014: €96,758) in respect of the capitalised research and development. The Group has the ability to claim a further €5,000 (2014: €266,065) of grants in future years in respect of on-going Research and Development.

Notes to the Financial Statements
continued

19. Property, plant & equipment

Group	Plant and equipment €
Cost	
At 1 January 2014	29,047
Additions	22,387
Exchange differences	29
At 31 December 2014	51,463
Additions	175,179
Exchange differences	(214)
At 31 December 2015	226,428
Accumulated depreciation	
At 1 January 2014	11,582
Charge for the year	7,882
Exchange differences	10
At 31 December 2014	19,474
Charge for the year	62,758
Exchange differences	(79)
At 31 December 2015	82,153
Net carrying value	
At 31 December 2014	31,989
At 31 December 2015	144,275

20. Inventory

	Group	
	As at 31 December 2015 €	As at 31 December 2014 €
Raw material	471,877	10,922
Goods in progress	267,153	93,578
Finished goods	30,594	143,543
Inventory	769,624	248,113

Notes to the Financial Statements
continued

21. Trade and other receivables

	Group		Company	
	As at 31 December 2015 €	As at 31 December 2014 €	As at 31 December 2015 €	As at 31 December 2014 €
Trade receivables	795,766	493,283	–	–
Less: provision for impairment of trade receivables	–	–	–	–
Trade receivables – net	795,766	493,283	–	–
Tax receivables	120,524	70,407	–	–
Intragroup receivables	–	–	2,582,968	1,445,994
Other receivables	276,644	281,685	16,163	25,659
Total other receivables	397,168	352,092	2,599,131	1,471,653
Total trade and other receivables	1,192,934	845,375	2,599,131	1,471,653
Classified as follows:				
Current Portion	1,192,934	845,375	2,599,131	1,471,653

The ageing of the trade receivables as at 31 December 2015 is detailed below:

	Group	
	2015 €	2014 €
Neither past due nor impaired:	683,792	493,283
Past due but not impaired:		
0 to 30 days	48,293	–
30 to 60 days	2,294	–
60 to 90 days	–	–
Over 90 days	61,387	–
	795,766	493,283

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.

22. Cash and cash equivalents

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

	Group		Company	
	As at 31 December 2015 €	As at 31 December 2014 €	As at 31 December 2015 €	As at 31 December 2014 €
Cash at bank	593,907	5,548,596	470,185	5,456,372
Cash and cash equivalents	593,907	5,548,596	470,185	5,456,372

Notes to the Financial Statements
continued

23. Trade and other payables

	Group		Company	
	As at 31 December 2015 €	As at 31 December 2014 €	As at 31 December 2015 €	As at 31 December 2014 €
Trade payables	187,655	913,283	551	537,856
Other payables	295,839	120,250	26,860	7,986
Current portion of Nordea loan	4,303	–	–	–
Total financial liabilities classified as financial liabilities measured at amortised cost	487,797	1,033,533	27,411	545,842
Classified as follows:				
Current Portion	487,797	1,033,533	27,411	545,842

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

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

	Group		Company	
	As at 31 December 2015 €	As at 31 December 2014 €	As at 31 December 2015 €	As at 31 December 2014 €
Up to 3 months	484,546	1,033,598	27,412	545,842
Within 12 months	3,251	–	–	–
	487,797	1,033,598	27,412	545,842

24. Borrowings

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

	Group	
	As at 31 December 2015 €	As at 31 December 2014 €
Loans		
Growth Fund	801,207	717,064
Nordea Ejendomme	29,801	
Current portion of Nordea Loan	(4,303)	
Total financial assets other than cash and cash equivalents classified as Loans	826,705	717,064

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

The 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 carries a fixed interest rate of 6 per cent.

The Company had no borrowings.

Notes to the Financial Statements
continued

25. Share capital

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

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

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

- 32,184,002 Ordinary Shares in consideration for the transfer to the Company of the entire issued share capital in the Windar Photonics A/S pursuant to the terms of the Share Swap Agreement;
- 5,910,000 Ordinary Shares in consideration for cash received by the Company; and
- 72,175 Ordinary Shares in consideration for the satisfaction of fees payable to West Hill Capital LLP.

	Number of shares	€
On incorporation shares of £1	2	3
29 July 2014 subdivided into shares of 1p	200	3
Issue of shares in respect of transfer of shares of Windar Photonics A/S	32,184,002	411,245
Issue of shares for cash	5,910,000	75,518
Issue of shares for the satisfaction of fees	72,175	922
Shares at 31 December 2014	38,166,377	487,688
Shares at 31 December 2015	38,166,377	487,688

At 31 December 2015 the share capital comprises 38,166,377 shares of 1 pence each.

Warrants

Warrants are granted to Directors and employees. In 2014, warrants were issued to Martin Rambusch, John Weston and Simon Barrell, all Directors in the Company. The Group has no legal or constructive obligation to repurchase or settle the warrants in cash.

Warrants are valued using the Black-Scholes pricing model and no performance conditions are included in the fair value calculations. The risk free rate was 1.15%. The expected volatility is based on historical volatility of the AIM market over the last two years and is estimated to be 40%. The average share price during the year was 100 pence. During the year the Company issued the following warrants:

Number of warrants				
At 31 December 2014	Granted	At 31 December 2015	Exercise price (£ pence)	Exercise date
1,520,956	–	1,520,956	35.44	29/08/14 to 31/12/17
75,000	–	75,000	100	08/12/14 to 31/12/17
1,595,956	–	1,595,956		

Notes to the Financial Statements
continued

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

Reserve	Description and purpose.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Represents the share capital and share related movements of Windar Photonics A/S.
Currency exchange reserve	Gains and losses on the exchange differences between the functional currencies and the reporting currency €.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

27. Contingencies and Commitments
The total future value of the minimum lease payment is due as follows:

	2015 €	2014 €
Not later than one year	11,743	17,730
Later than one year and not later than five years	345,917	–
Later than five years	–	–
	357,660	17,730

28. Events after the reporting date
On 9 May 2016 the raised approximately £1.0 million (€1.2 million) by way of a subscription for 885,502 ordinary shares of 1 pence each (the "Subscription Shares") (the "Subscription") at 110 pence per share (the "Issue Price").

The Group agreed a factoring facility (the "Factoring Facility") with Nordea Bank Denmark A/S, for an initial facility of up to €400,000 with an understanding to increase later in the year up to €1.5 million, as the Company makes further progress with orders for its WindEYE™ LiDAR units.

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 Europe, One Churchill Place, Canary Wharf, London E14 5RB at 10.00 a.m. on 30 June 2016 for the purpose of considering and, if thought fit, passing the resolutions below.

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

As Ordinary Resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 31 December 2015 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect M Rambusch, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
3. To re-elect J K Jensen, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
4. To re-appoint 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.
5. To authorise the Directors to fix the remuneration of the auditors.
6. That, in substitution for all subsisting authorities to the extent unused, the Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot ordinary shares in the Company and grant rights to subscribe for, or to convert any security into such ordinary shares (such ordinary shares and rights to subscribe for or to convert any security into ordinary shares being relevant securities) up to an aggregate nominal amount of £125,626, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 30 June 2017 (unless renewed, varied or revoked by the Company prior to or on that date) after the date of this resolution (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities allotted, or rights to be granted, after such expiry and the directors may allot relevant securities, in pursuance of such offer or agreement as if the authorisation conferred hereby had not expired).

As a Special Resolution

7. That, subject to the passing of resolution 6 above and in substitution for all subsisting authorities to the extent unused, the Directors be generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'CA 2006') to allot equity securities (as defined in section 560 CA 2006) pursuant to the authority referred to in resolution 6, 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 £12,321,

    and shall expire on the earlier of the conclusion of the next annual general meeting and 30 June 2017 (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 6 June 2016

By Order of the Board

Martin Rambusch
Director

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

Notice of Annual General Meeting
continued

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

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

Resolution 1: Approval of the annual report and accounts

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

Resolutions 2-3: Re-election of directors

The Company's articles one third of the Directors to retire by rotation at each AGM and the board proposes them for re-election as Directors of the Company. Biographical details of all directors can be found on pages 7 and 8 of the 2015 annual report.

Resolutions 4 and 5: Auditors reappointment and remuneration

It is a requirement that the Company's auditor must be reappointed at each general meeting at which financial statements are laid, in effect, at each AGM. After considering relevant information, the Audit Committee recommended to the Board the reappointment of BDO LLP. Resolution 4 proposes BDO LLP's reappointment and Resolution 5 authorises the Directors to determine their remuneration.

Resolution 6: Directors' power to allot relevant securities

Under section 551 of the Companies Act 2006, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the Directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £125,626, which is equal to 32.17% 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 2017 (whichever is the earlier).

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

Section 561 of the Companies Act 2006 requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £12,321, which will be equal to 3.15% of the nominal value of the current issued share capital of the Company, assuming resolution 6 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 2017 (whichever is the earlier).

Notice of Annual General Meeting
continued

Notes

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. A proxy need not be a member of the Company but must attend the meeting to represent you.

2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact Share Registrars on 01252 821390, overseas callers should call +44 1252 821390.

3. A Form of Proxy is enclosed. To be effective, the Form of Proxy together with any power of attorney or other written authority under which it is signed, or a notarially certified copy or a certified copy in accordance with the Powers of Attorney Act 1971 of such power or written authority must be completed signed and to be valid the proxy must be duly executed and deposited with the Company at the offices of the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, or by scan and email to Share Registrars at proxies@shareregistrars.uk.com, not later than 10.00 a.m. on 28 June 2016.

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

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company's register of members not less than 48 hours before the time of the meeting or, in the event that the meeting is adjourned, on the Register of Members of the Company not less than 48 hours before the time of any adjourned meeting, and only such members shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 10.00 a.m. on 28 June 2016 or, in the event that the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

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

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

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

    By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Ltd, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    In either case, the revocation notice must be received by Share Registrars no later than 10.00 a.m. on 28 June 2016.

    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.

Notice of Annual General Meeting
continued

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 39,051,897,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 39,051,897.

Shareholder Notes

Shareholder Notes

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