Windar Photonics plc

Report of the Directors and Consolidated Financial Statements

For the year ended 31 December 2017

WINDAR PHOTONICS

Contents

Company Information

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

Chairman's Statement

Dear Shareholders,

For the year ended 31 December 2017, the Group generated revenue of €2.2 million (2016: €1.2 million) an increase of 85 per cent on 2016. The total order intake in 2017 amounted to €5.9 million (2016: €1.4 million) leaving the Group with a record order backlog of €3.9 million (2016: €1.4 million) at the end of the year.

We also achieved a reduction in our net loss for the year to €2.2 million (2016: €3.2 million) which included depreciation, amortisation and warrant costs of €0.8 million (2016: €0.7 million). The reduction in the net loss was achieved through a combination of increased revenue and a further reduction of the operational expenses due to the new sales and marketing approach toward the Independent Power Producers and wind farm owners ("IPPs") markets as discussed below.

The Group had cash at the end of the year of €1.1 million (2016: €0.8 million) excluding restricted cash balances of €0.2 million (2016: €0.03 million).

During the year the Group raised £1.25 million before expenses through the new issue of share capital. Besides using the factoring facility established in 2016 for financing of working capital the Group is also pleased to have financed sales in 2017 of €1.3 million (2016: €0.3 million) with Denmark's export credit agency, Eksport Kredit Fonden ("EKF"). This has enabled the Group to reduce trade receivables at the end of the year to €0.4 million (2016: €0.6 million) despite the revenue growth of 85 per cent.

In 2017 the Group continued to refocus research and development resources towards developing new innovative features, like turbulence and wake detection, and not least cost optimisation programmes. The new and ongoing development of our wake detection functionality combined with our general features has created increasing interest within the Original Equipment Manufacturer for turbines ("OEMs") market with several new and important OEM projects started in 2017. With the cost reduction programmes successfully completed in 2017, we were once again able to reduce our product cost base in 2017 enabling the Group to win some of the higher volume orders at the end of 2017 at satisfactory margin levels.

Going into 2018 the Group has a strong product platform with the WindEye™ and WindVision™ product lines, and our refocused research and development focus will continue unchanged in 2018 on additional new features, turbine optimisation solutions and additional cost saving programmes.

The Group has capitalised its continued cost of investment in technology during the year. This amounts to €333,480 (2016: €474,435) before grants of €152,447 (2016: €48,420).

Given our strong LiDAR product platforms, we believe we are well placed to further progress in both the OEM market and also within the IPP markets. Despite the often very long design-in cycle times within the OEM market, the Board expects to obtain one or more design-in wins of Windar's LiDAR technology in the near future. As discussions move to a stage of regular supply, the board expect this will significantly increase the Groups revenue and profits.

In 2017 the Group successfully refocused its sales and marketing approach towards the IPP markets whereby these markets will primarily be served by an external distribution network. Consequently, the Group has closed down our sales and representation offices in Denmark, Spain and Canada during 2017, and at the end of 2017 the Group now only has two facilities – our headquarters in Copenhagen, Denmark and our sales and service office in Shanghai, China. Besides reducing the Group's total operation expenses, the change has driven positive revenue and order intake realised in 2017. The Board expects to see the further positive results of this strategic change with increased IPP market penetration in 2018.

2018 has started well with total revenue level during the first four months of the year showing an accelerated growth over 2017.

Overall, the Group remains very confident for 2018 and the future, and I would like to take the opportunity to thank the management, staff and my predecessor John Weston for their efforts in 2017.

Johan Blach Petersen
Chairman

Date 23 May 2018

Strategic Report

The Directors present their Strategic Report and the audited financial statements for the year ended 31 December 2017.

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 products are the WindEye™ and WindVision™ Sensors which measure the wind speed at different measuring points by scanning a laser beam ahead of the wind turbine. By measuring the wind speed a variety of wind information is derived such as wind direction, turbulence, wind shear, wind gust and wake detection. The products and various algorithms are designed for the general optimisation of wind turbines both in respect of increasing the Annual Energy Production and general load reduction options.

REVIEW OF THE BUSINESS

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

FUTURE DEVELOPMENTS IN THE BUSINESS

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

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

GROUP RESULTS AND DIVIDENDS

In the year ended 31 December 2017, Windar Photonics achieved revenue of €2,213,664 (2016: €1,196,037) from sales of WindEye™ and WindVision™ Sensors and related services which represent a revenue growth of 85 per cent in 2017. The total order intake in 2017 amounted to €5,905,938 (2016: €1,422,979) representing a growth of 315 per cent in 2017. The Directors anticipate significant growth in future order volumes.

The Group loss for the year after taxation amounted to €2,225,875 (2016: Loss €3,145,715).

No dividends are payable for the year under review (2016: No dividends payable).

PRINCIPAL RISKS AND UNCERTAINTIES

Sales cycle and product acceptance

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

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

Products and services failure

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

Strategic Report
continued

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

Other commercial factors

The group is still in an early business cycle stage and now entering into the next higher growth cycle means that the Group will be exposed to a higher concentration of single customers and/or contracts. In 2017 this was illustrated by the fact that 3 customers accounted for 70 per cent of the annual Group revenue. The Group is aware and is paying attention to the potential commercial risk this development brings. One of the ways to mitigate this risk going forward is to continue to focus strongly on both ongoing but just as important new OEM projects with the view over time to developing a broader customer base. Going into 2018 the Group has a record number of OEM integration projects ongoing despite the often minimal short term financial benefits such projects bring.

Being in an early business cycle the Group has been dependent on financing the business through placing of shares in the market primarily to finance annual losses generated in the Group. The Group is aware of the risks associated with being dependent on such capital sources. The focus in the Group to mitigate this risk is to arrive at a position where potential future share placings primarily will be needed for financing of working capital and not financing of annual losses. Several activities and programmes have been initiated by the Group to support this target of which one was the operating expense realignment program with the aim to reduce the revenue break even level. Other measures have been to continue to optimise our core product costs enabling the Group to get larger contract wins in 2017 still with satisfactory profit margins.

KEY PERFORMANCE INDICATORS

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

Revenue for the year was €2,213,664 (2016: €1,196,037) representing a growth of 85 per cent. Order intake for the year was €5,905,938 (2016: €1,422,979) representing a growth of 315 per cent. The recognised revenue growth realised for the year was below initial targets set for 2017 due to the timing of contract wins in 2017, however, the order intake growth of 315 per cent in 2017 the order backlog going into 2018 is satisfactory.

At 31 December 2017 and excluding restricted cash balances of €234,692 (2016: €30,609) the Group had cash balances of €1,116,503 (2016: €783,166). Cash balances at the end of the year exceeded expectations and was primarily linked to higher than expected trade payables due to higher trading activities at the end of the year. During the year and despite the general increased activity level in the Group, the cash flow in the Group was positively supported by a satisfactory reduction in both our stock holdings and trade receivables at the end of the year.

The Group's loans at 31 December amount to €1,023,809 (2016: €926,337) of which €4,579 (2016: €4,586) is classified as current. The interest charge on the Growth Fund Loan is rolled up and due on repayment of the loan in May 2020. The Group owed €121,209 (2016: 239,528) against the invoice discounting facility.

Employee numbers at 31 December 2017 were 22 (2016: 24). The realignment programme initiated in 2016 was completed in 2017 bringing down the number of employees from 31 employees at the beginning of 2016 to 22 employees at the end of 2017, which was in line with expectations. Besides removing some overhead resources, the major contributor to this development has been implementing the new sales and marketing approach to the IPP markets.

BY ORDER OF THE BOARD ON 23 May 2018

Jørgen Korsgaard Jensen
Director

Directors' Report

The Directors present their report and the Financial Statements for the year ended 31 December 2017.

FUTURE DEVELOPMENTS

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

GROUP RESULTS AND DIVIDENDS

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

DIRECTORS

The Directors of the Company during the year were:

John Pix Weston	(Resigned 29 December 2017)
Jørgen Korsgaard Jensen	
Simon Gregory Barrell	
Johan Blach Petersen	
Søren Høffer	(Appointed 29 December 2017)

DIRECTORS' INTERESTS

	As at 31 December 2017			As at 30 April 2018		
	Ordinary Shares	Per cent	Warrants	Ordinary Shares	Per cent	Warrants
Søren Høffer	–	–	–	–	–	–
Jørgen Korsgaard Jensen (held by Pasinika S.a.r.l. see below)	6,983,197	16.70%	–	6,983,197	16.70%	–
Simon Barrell	47,222	0.11%	–	47,222	0.11%	–
Johan Petersen (held by J Blach Petersen BD A/S see below)	1,969,508	4.71%	–	1,969,508	4.71%	–

SIGNIFICANT SHAREHOLDERS

Shareholders who have notified the company of shareholdings in excess of 3 per cent as at 30 April 2018 are as follows:

	Number of ordinary shares	Percentage
SEED Capital Denmark II K/S	7,063,674	16.90%
Pasinika S.a.r.l.	6,983,197	16.70%
DTU Symbion Innovation A/S	4,175,333	9.99%
M.M. 26 Holding A/S	4,033,973	9.65%
Danmarks Tekniske Universitet	2,352,990	5.63%
Milton Holding Horsens A/S	2,119,400	5.07%
Artemis Investment Management LLP	1,750,000	4.19%
J Blach Petersen BD A/S	1,969,508	4.71%
Investeringsselskabet af 11 august 2005	1,659,101	3.97%

Directors' Report
continued

DIRECTORS' BIOGRAPHIES

Johan Blach Petersen (Non-Executive Chairman), aged 66

Johan Blach Petersen is an experienced business development consultant and has provided such services through J. Blach Petersen Business Development A/S since 1987. He serves as Chairman in a number of companies including M2Film A/S, M2 Entertainment Ltd, London, Picture This Studio Ltd, Bangkok, Bila Group A/S, JMM Group A/S, Bjerre & Co A/S , Trifork AG, Teknikgruppen A/S, Tuco Marine Group A/S, , Lindcon A/S Østergaard Møbelindustri A/S and as member of the board of 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.

Jørgen Korsgaard Jensen (Chief Executive Officer and Founder), aged 55

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

Further, he is chief executive of the 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 A/S. While he is currently employed by the Group in an executive position, the Company intends to appoint a new chief executive officer to gradually take over Jørgen Korsgaard Jensen's executive duties and the additional operations of the Group as it expands its activities. It is intended that Jørgen Korsgaard Jensen's involvement with the Group will reduce and that, following appointment and integration of a new chief executive officer, he will step down to a non-executive role.

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

Simon Barrell (Senior Independent Non-Executive Director), aged 59

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

Søren Høffer (Non-Executive Director), aged 45

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

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 2017				
Executive Directors				
Jørgen Korsgaard Jensen	–	–	–	–
Non-executive Directors				
John Weston (resigned 29 December 2017)	–	–	3,771	3,771
Simon Barrell	–	–	1,885	1,885
Johan Blach Petersen	–	–	–	–
Søren Høffer (appointed 29 December 2017)	–	–	–	–
Total	–	–	5,656	5,656
Year ended 31 December 2016				
Executive Directors				
Martin Rambusch (resigned 15 September 2016)	102,751	–	219,929	322,680
Jørgen Korsgaard Jensen	–	64,471	–	64,471
Non-executive Directors				
John Weston	–	37,065	4,388	41,452
Simon Barrell	–	18,532	2,194	20,726
Johan Blach Petersen	–	13,431	–	13,431
Niels Vejrup Carlsen (resigned 29 February 2016)	–	–	–	–
Total	102,751	133,499	226,510	462,760

As from 15 September 2016 Martin Rambusch continued in the Group as COO but resigned from the Board of the Group. Consequently, salaries and fair value of warrant costs to Martin Rambusch are not included in the above analysis. As per the same date Jørgen Korsgaard Jensen, initial founder of the Group, was appointed CEO of the Group. Jørgen Korsgaard Jensen has refrained from being paid any kind of salary or other benefits from the Group until the Group has reached a financial break-even level. Similarly, the Non-executive Directors have abstained from any kind of remuneration due to the early business stage of the Group.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

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

FINANCIAL INSTRUMENTS

Currency

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

Liquidity risk

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group finances its operations through a mix of equity and borrowings. The

Directors' Report
continued

Group's objective is to provide funding for future growth and achieve a balance between continuity and flexibility through its bank facilities and future intergroup loans.

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

CREDIT RISK

The Group regularly reviews and assesses the trade receivables for recoverability. The Group has made a provision against overdue trade receivables of €47,684 (2016: €27,536). The Group considers the followings events as indicators of an impairment:

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

EMPLOYMENT POLICIES

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

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

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 2017 averaged 49 days (2016: 42 days).

TREASURY POLICY

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

Compliance with these policies is monitored by the Board.

RESEARCH AND DEVELOPMENT

The Group continues to undertake research and development into LiDAR technology. During the year the Group spent €301,021 (2016: €683,199) on research and development of which €181,033 (2016: €474,435) has been capitalised as an intangible asset as shown in note 17 to the financial statements.

The Group has received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €152,447 (2016: €48,420) in respect of the capitalised research and development and of €92,348 (2016: € NIL) related to research and development costs included the profit and loss statement. The Group has the ability to claim a further €174,342 (2016: €388,393) of grants in future years in respect of on-going Research and Development projects.

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 for that period. The directors are also

Directors' Report
continued

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;
- 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 company's auditor is unaware.

Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is 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 23 May 2018

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

The 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 auditor at least once a year.

Nomination Committee

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

Remuneration Committee

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

Corporate Governance Statement
continued

PERFORMANCE EVALUATION

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

COMMUNICATION WITH SHAREHOLDERS

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

In addition, all 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 receives and reviews work carried out by the external auditors and their findings.

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

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

The Audit Committee reviews the effectiveness of the internal controls on an annual basis on behalf of the Board and considers that they comply throughout the year ended 31 December 2017 with those provisions of the Code which they consider to be practicable and appropriate for a relatively small public company.

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

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

In common with organisations of similar size the Executive Director is heavily involved in the day to day running of the business. The directors believe that although the 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 auditor on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 9 to the financial statements. The non-audit fees are considered by the Committee not to affect the independence or objectivity of the auditor. The Audit Committee monitors such costs in the context of the audit fee for the year, ensuring that the value of non-audit services does not increase to a level where it could affect the auditor's objectivity and independence. The Audit Committee also received an annual confirmation of independence from the auditor.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the 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

Opinion

We have audited the financial statements of Windar Photonics Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statement of financial position, the consolidated and company cash flow statement, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report
continued

Key audit matters

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

Key audit matter	Our audit response
Revenue recognition Revenue is derived from the sale and installation of wind turbines. Customer contracts can include both the sale of the wind turbines and the associated installation and the recognition of revenue is considered to be complex due to the significant judgements made by management in determining when contracts should be separated for revenue recognition purposes. In addition, as the Group's customer base is typically in Asia it takes a number of weeks for products to be delivered and contract and delivery terms can vary by customer. As such there are significant judgements involved in determining when the risks and rewards of revenue have been appropriately transferred to the customer and when the correct revenue recognition point is. Based on the above mentioned complexity and significant judgements, this area was considered significant to our audit.	We tested, on a sample basis, that revenue had been recognised in accordance with the business terms of the sale and assessed if there were any components that should be recognised separately. We challenged the significant judgements made by management in determining separable elements of the contracts and obtained evidence to support the assumptions made, including details of delivery records and cash receipts. We specifically tested all revenue transactions that were recognised pre-year end but were still in transit over the year end by reviewing correspondence with customers, the business terms of the sales and by considering if Windar had any remaining responsibilities for the goods in transit.
Valuation of intangible assets As set out in note 4 the group recognises an internally generated intangible asset arising from development (or from the development phase of an internal project) if all of the criteria per accounting standards can be demonstrated. This area was significant to our audit because management exercise significant judgement in determining if the criteria has been satisfied for capitalisation in compliance with the group's accounting policy, and this significant judgement needs to be evaluated by the audit team to ensure there is no management bias. Once capitalised, the group makes an assessment of the recoverability of these costs and the audit team therefore needed to evaluate management's judgment.	Our audit procedures included testing, on a sample basis, amounts capitalised during the year against each criteria. We obtained supporting information from management on how the criteria was deemed to have been satisfied and corroborated this to evidence. We assessed the stage of development for each project capitalised against the original project timetables provided previously to confirm there were no significant delays or costs experienced. One project has been completed during the year and we have confirmed that an appropriate amortisation policy has been applied from the date the project was completed. We have also reviewed the projected revenue streams against each of the projects to ensure the capitalisation values are appropriate.
Carrying value of investments in subsidiary undertakings at a parent company level At the end of each reporting period, the directors are required to assess whether there is any indication that an asset may be impaired. If any such indication exists, the directors shall estimate the recoverable amount of the asset. The directors identified an indicator of impairment on the investment in the subsidiary undertaking, Windar Photonics A/S, as the net asset value of the subsidiary was below the carrying value of the investment. The directors carried out an impairment review and calculated the recoverable amount to be the subsidiary's value in use. This area was significant to our audit because the directors exercised significant judgement in determining the underlying assumptions used in this calculation, and this significant judgement needed to be evaluated by the audit team to ensure there was no management bias.	We obtained the directors' impairment review model and each of the key inputs to the impairment model were reviewed by reference to Board approved budgets, historical trends, and secured future orders. We challenged management on their forecasts for revenue, costs and EBITDA in the impairment model particularly due to the loss in the year. In addition, we performed our own additional sensitivity analysis in respect of the key assumptions which included assessing by how much each assumption would need to change for an impairment to arise. We considered the appropriateness of the discount rates used by the directors comparing this against the cost of capital for the Group and other comparable companies in the industry. We evaluated the adequacy of the Group's disclosures in respect of the impairment testing, the inputs used and the sensitivity of the outcomes of the assessment to changes in key assumptions to validate that these adequately reflected the inherent risks in the valuations.

Independent Auditor's Report
continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

We determined materiality for the group financial statements as a whole to be €46,000 (2016: €65,000) which approximates to 3.5 per cent of net assets (2016: 3.6 per cent). Performance materiality was set at 75 per cent of the above materiality levels (2016: 75 per cent). Performance materiality is applied at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Where financial information from components was audited separately, component materiality was set at 75 per cent of group materiality. Materiality levels are lower than in previous years due to the decline in net assets this year.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of €1,800 (2016: €2,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We determined materiality for the parent company financial statements to be €34,500 (2016: €48,000) which is based on 75 per cent of gross materiality as the entity does not trade and acts as a holding company.

An overview of the scope of our audit

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

Audits of the subsidiary companies were performed at lower levels of 75 per cent of Group materiality and determined by us to be appropriate to the relative size of the company concerned. The audit of the main trading company was performed entirely in Denmark and by a BDO network firm. As part of our audit strategy, the Senior Statutory Auditor visits Denmark on a rotational basis and last visited in 2017. The Group audit team reviewed the complete audit file for the main trading company. Following the review, any further work required by the Group audit team was performed by the component auditor.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report
continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

John Everingham (senior statutory auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

23 May 2018

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Revenue	8	2,213,664	1,196,037
Cost of goods sold		(1,301,047)	(627,255)
Gross profit		912,617	568,782
Administrative expenses		(2,996,457)	(3,804,798)
Other operating income		78,067	69,074
Loss from operations	9	(2,005,773)	(3,166,942)
Finance expenses	12	(286,348)	(106,882)
Loss before taxation		(2,292,121)	(3,273,824)
Taxation	13	66,246	128,109
Loss for the year attributable to the ordinary equity holders of Windar Photonics plc		(2,225,875)	(3,145,715)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange gains/(losses) arising on translation of foreign operations		13,038	(22,087)
Total comprehensive loss for the year attributable to the ordinary equity holders of Windar Photonics plc		(2,212,837)	(3,167,802)
Loss per share attributable to the ordinary equity holders of Windar Photonics plc			
Basic and diluted, cents per share	14	(5.4)	(8.1)

The notes on pages 23 to 43 form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 December 2017 €	31 December 2016 €
Assets			
Non-current assets			
Intangible assets	17	868,594	1,183,675
Property, plant & equipment	18	107,084	119,421
Deposits		38,505	54,072
Total non-current assets		1,014,183	1,357,168
Current assets			
Inventory	19	739,610	993,657
Trade receivables	20	381,295	557,721
Other receivables	20	216,710	258,900
Prepayments		78,379	81,237
Restricted cash and cash equivalents		234,692	30,609
Cash and cash equivalents	21	1,116,503	783,166
Total current assets		2,767,189	2,705,290
Total assets		3,781,372	4,062,458
Equity			
Share capital	26	530,543	513,327
Share premium	27	10,281,073	8,964,224
Merger reserve	27	2,910,866	2,910,866
Foreign currency reserve	27	(19,590)	(32,628)
Retained earnings	27	(12,521,228)	(10,530,769)
Total equity		1,181,664	1,825,020
Non-current liabilities			
Warranty provisions	29	72,205	39,643
Loans	24	1,023,809	921,751
Total non-current liabilities		1,096,014	961,394
Current liabilities			
Trade payables	23	1,045,516	603,950
Other payables and provisions	23	325,674	201,038
Deferred revenue	23	6,716	226,942
Invoice discounting	23	121,209	239,528
Loans	23	4,579	4,586
Total current liabilities		1,503,694	1,276,044
Total liabilities		2,599,708	2,237,438
Total equity and liabilities		3,781,372	4,062,458

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2018 and were signed below on its behalf by:

Jørgen Korsgaard Jensen
Director

The notes on pages 23 to 43 form part of these financial statements.

Company Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 €	31 December 2016 €
Assets			
Non-current assets			
Investments in subsidiaries	16	9,394,511	7,648,349
Total non-current assets		9,394,511	7,648,349
Current assets			
Other receivables	20	12,180	20,922
Prepayments		24,505	38,429
Intragroup receivables	20	276,299	813,237
Cash and cash equivalents	21	180,727	251,310
Total current assets		493,711	1,123,898
Total assets		9,888,222	8,772,247
Equity			
Share capital	26	530,543	513,327
Share premium	27	10,281,073	8,964,224
Merger reserve	27	658,279	658,279
Foreign currency reserve	27	(7,746)	(7,746)
Retained earnings	27	(1,632,647)	(1,454,047)
Total equity		9,829,502	8,674,037
Current liabilities			
Trade payables	23	38,720	98,210
Other payables and provisions	23	20,000	–
Total liabilities		58,720	98,210
Total equity and liabilities		9,888,222	8,772,247

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was €414,017 (2016: loss €984,082).

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2018 and were signed below on its behalf by:

Jørgen Korsgaard Jensen
Director

The notes on pages 23 to 43 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Loss for the period before taxation		(2,292,121)	(3,273,824)
Adjustments for:			
Finance expenses	12	286,349	106,882
Amortisation	17	494,709	366,784
Depreciation	18	56,409	61,034
Received tax credit		149,603	120,305
Tax paid		–	(22,008)
Foreign exchange differences		13,037	(25,898)
Share option and warrant costs		235,416	317,069
		(1,056,598)	(2,349,656)
Movements in working capital			
Changes in inventory		254,047	(224,033)
Changes in receivables		152,687	444,905
Changes in trade payables		441,566	416,295
Changes in deferred revenue		(220,226)	226,942
Changes in warranty provisions	29	32,562	15,230
Changes in other payables and provisions		124,628	(70,388)
Cash flow from operations		(271,334)	(1,540,708)
Investing activities			
Payments for intangible assets	17	(333,480)	(474,435)
Payments for tangible assets	18	(44,312)	(35,635)
Grants received	17	152,447	48,420
Cash flow from investing activities		(225,345)	(461,650)
Financing activities			
Proceeds from issue of share capital		1,443,605	2,252,920
Costs associated with the issue of share capital		(109,540)	(257,703)
(Reduction)/proceeds from invoice discounting		(118,319)	239,528
Increase restricted cash balances		(204,083)	(30,609)
Repayment of loans		(4,580)	(4,303)
Foreign exchange rate losses		(142,331)	(3,737)
Interest paid		(36,080)	(6,502)
Cash flow from financing activities		828,672	2,189,594
Net increase in cash and cash equivalents		331,993	187,239
Exchange differences		1,344	2,020
Cash and cash equivalents at the beginning of the year		783,166	593,907
Cash and cash equivalents at the end of the year	21	1,116,503	783,166

The notes on pages 23 to 43 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Loss for the period before taxation		(414,017)	(984,082)
Adjustments for:			
Finance Income		(33,553)	(90,384)
Foreign exchange difference		59,028	520,061
Share option and warrant costs		235,416	317,069
		(153,126)	(237,336)
Movements in working capital			
Changes in receivables		8,742	(4,759)
Changes in prepayments		13,924	(20,105)
Changes in loans to subsidiary entity		570,491	1,860,115
Changes in trade payables		38,720	97,659
Changes in other payables and provisions		(78,209)	(26,860)
Cash flow from operations		400,542	1,668,714
Investing activities			
Capital contribution to subsidiary undertaking	16	(1,746,162)	(3,362,745)
Cash flow from investing activities		(1,746,162)	(3,362,745)
Financing activities			
Proceeds from issue of share capital	26	1,443,605	2,252,920
Costs associated with the issue of share capital		(109,540)	(257,703)
Foreign exchange losses		(59,028)	(520,061)
Cash flow from financing activities		1,275,037	1,475,156
Net decrease in cash and cash equivalents		(70,583)	(218,875)
Cash and cash equivalents at the beginning of the year		251,310	470,185
Cash and cash equivalents at the end of the year	21	180,727	251,310

The notes on pages 23 to 43 form part of these financial statements.

Consolidated and Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital €	Share Premium €	Merger reserve €	Foreign currency reserve €	Accumulated Losses €	Total €
Group						
At 1 January 2016	487,688	6,994,646	2,910,866	(10,541)	(7,702,123)	2,680,536
New shares issued	24,558	2,228,362	–	–	–	2,252,920
Costs associated with capital raise	–	(376,629)	–	–	–	(376,629)
New shares issued in respect of services rendered	1,081	117,845	–	–	–	118,926
Share option and warrant costs	–	–	–	–	317,069	317,069
Transaction with owners	25,639	1,969,578	–	–	317,069	2,312,286
Comprehensive loss for the year	–	–	–	–	(3,145,715)	(3,145,715)
Other comprehensive losses	–	–	–	(22,087)	–	(22,087)
Total comprehensive loss	–	–	–	(22,087)	(3,145,715)	3,167,802
At 31 December 2016	513,327	8,964,224	2,910,866	(32,628)	(10,530,769)	1,825,020
New shares issued	17,216	1,426,389	–	–	–	1,443,605
Costs associated with capital raise	–	(109,540)	–	–	–	(109,540)
Share option and warrant costs	–	–	–	–	235,416	235,416
Transaction with owners	17,216	1,316,849	–	–	235,416	1,569,481
Comprehensive loss for the year	–	–	–	–	(2,225,875)	(2,225,875)
Other comprehensive gains	–	–	–	13,038	–	13,038
Total comprehensive income	–	–	–	13,038	(2,225,875)	(2,212,837)
At 31 December 2017	530,543	10,281,073	2,910,866	(19,590)	(12,521,228)	1,181,664
Company						
At 1 January 2016	487,688	6,994,646	658,279	(7,746)	(787,034)	7,345,833
New shares issued	24,558	2,228,362	–	–	–	2,252,920
Costs associated with capital raise	–	(376,629)	–	–	–	(376,629)
New shares issued in respect of services rendered	1,081	117,845	–	–	–	118,926
Share option and warrant costs	–	–	–	–	317,069	317,069
Transaction with owners	25,639	1,969,578	–	–	317,069	2,312,286
Comprehensive loss for the year	–	–	–	–	(984,082)	(984,082)
Total comprehensive loss	–	–	–	–	(984,082)	(984,082)
At 31 December 2016	513,327	8,964,224	658,279	(7,746)	(1,454,047)	8,674,037
New shares issued	17,216	1,426,389	–	–	–	1,443,605
Costs associated with capital raise	–	(109,540)	–	–	–	(109,540)
Share option and warrant costs	–	–	–	–	235,416	235,416
Transaction with owners	17,216	1,316,849	–	–	235,416	1,569,481
Comprehensive loss for the year	–	–	–	–	(414,017)	(414,017)
Total comprehensive income	–	–	–	–	(414,017)	(414,017)
At 31 December 2017	530,543	10,281,073	658,279	(7,746)	(1,632,648)	9,829,501

The notes on pages 23 to 43 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1. General information

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 09024532 in England and Wales. The Company's registered office is 3 More London Riverside, London, SE1 2AQ.

The Group was formed when the Company acquired on 29 August 2014 the entire share capital of Windar Photonics A/S, a company registered in Denmark though the issue of Ordinary Shares.

2. Adoption of new and revised International Financial Reporting Standards

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

The amendments and interpretations to published standards that have an effective date on or after 1 January 2017 or later periods have not been adopted early by the Group.

IFRS 15 (Revenue Recognition), IFRS 9 (Financial Instruments) and IFRS 16 (Leases)

The Group is adopting the new revenue recognition standard, IFRS 15, from 1 January 2018. The standard looks at the timing of revenue recognition on contracts. It is estimated that there will be no impact of IFRS 15 on the Group result in 2017 as the revenue although contracted, is recognised as product delivered to the customer. There is no impact on the Group's cash generation or net debt, and it has an immaterial impact on net assets.

The Group will also adopt IFRS 9 on 1 January 2018. The standard looks at how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. The group does not expect that this will affect the Group result in 2017, as the Group does not have any long term financial assets or liabilities. There is no impact on the Group's cash generation or net debt, and it has an immaterial impact on net assets.

The Group are further undertaking an on going evaluation of the potential impact of IFRS16 in respect of leases. Whilst this exercise is not concluded, the Directors do not presently anticipate that the adoption of this standard will have a material impact on the Group's Financial Statement in the periods of initial application.

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. The directors are confident that based on the group's forecasts and projections, taking account of possible changes in trading performance, no further funding will be required and are satisfied that the Group has adequate resources to continue in operation for the review period, namely 12 months from the date of approval of these financial statements. It is on that basis they continue to adopt the going concern basis of accounting in preparing these financial statements.

4. Accounting policies

Basis of preparation

The consolidated financial statements comprise the consolidated financial information of the Group as at 31 December 2017 and are prepared under the historic cost convention, except for the following:

- share based payments and share option and warrant costs

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

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

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

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

Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be Euro for the Parent Company and for Windar Photonics A/S. The Financial Statements have been presented in Euro's which represent the dominant economic environment in which the Group operates.

Revenue

Revenue arises from the sale of the WindEye™,and WindVision™ products that measures remote wind speed measurements. Revenue for the sale of the products is recognised exclusive of VAT and other taxes and when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the products are shipped in accordance with the terms of the contractual arrangement. Revenue in respect of the installation of the WindEye™ and Windvison™ is recognised exclusive of VAT and other taxes on completion of the installation. Where revenue for installation is received before the installation has been completed revenue is deferred and included within creditors and released on completion of the installation.

Where products are sold with warranties revenue is recognised in the period where the products are shipped less an appropriate provision for claims under warranty based on past experience.

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

Foreign currency

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

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

Segment reporting

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

Financial assets and liabilities

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*

Financial assets and liabilities 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 and 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 Profit or Loss and Other 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 group has the following financial liabilities:

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.

Borrowings and invoice discounting are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share capital

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

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

Borrowing costs

Borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

Current taxation

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

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

Deferred taxation

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

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

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

Notes to the Financial Statements
continued

4. Accounting policies *continued*

Dividends

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

Property, plant and equipment

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

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

Plant and equipment over 3 – 5 years

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

Intangible assets – Development projects

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

- Technical feasibility of completing the intangible asset so that It will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

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

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

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

Impairment

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

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

Notes to the Financial Statements
continued

4. Accounting policies *continued*

Deposits

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

Inventory

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

Inventories are initially recognised at cost and subsequently at the lower of cost and the net realisable value of inventories where the net realisable value is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Provisions

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

Grants

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

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

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

Share based payments

The Group operates an equity-settled share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted. At the end of each reporting period, the group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. Besides the warrants issued as disclosed in note 25 the Group has in 2017 issued warrants and options to employees covering potentially 420,000 shares.

Employee benefits

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

Restricted Cash Balances

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

Leases

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

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

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 2017 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

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

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

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

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

Under the merger method, the income, expense, assets and liabilities of Windar Photonics A/S have been included in the consolidated financial statements of Windar Photonics plc as if it had always been a member of the group, taking into account the original acquisition date of the wider Group. The amounts attributed to the assets (including goodwill) and liabilities of Windar Photonics A/S therefore reflect their book values as at 1 January 2013. Any difference between the consideration paid for the acquisition of Windar Photonics A/S by the Company and the net book value of the assets (including attributed goodwill) and liabilities acquired of €1.5m. has been treated as an adjustment in the merger reserve.

6. Critical accounting estimates and judgements

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

(a) Useful lives of intangible assets

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

(b) Warranty provision

The group makes a provision of 2 per cent on revenue realised in the prior two years for potential warranty claims based on the typical warranty period provided to customers. Management are satisfied that the current provision is appropriate and will review the percentage used on an annual basis as more information becomes available on the warranty position. The warranty provision is shown separately in the balance sheet.

Notes to the Financial Statements
continued

6. Critical accounting estimates and judgements *continued*

(c) Impairment of intangible assets

In assessing impairment, Management estimates the recoverable amount of cash generating units based on expected future cash flows and uses an interest rate to discount them. At the end of each reporting period the Management reviews a four year forward looking financial projection including a terminal value for the Group. The Management has further evaluated the terminal growth expectations and the applied discount rate applicable to derive a Net Present Valuation (NPV) of the Group. If the NPV of the Group shows a lower valuation than the net intangible assets an impairment will be made. Based on this evaluation including the Managements estimates and assumption no impairment was made during the reporting period. 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

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

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

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

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

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

Credit risk

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

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

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

Notes to the Financial Statements
continued

7. Financial instruments – Risk Management *continued*

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

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

Fair value and cash flow interest rate risk

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

An invoice discounting facility is available at a rate of 4.5 per cent above the inter banking interest rate in DKK, EUR and USD.

Foreign exchange risk

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

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

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

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

Liquidity risk

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

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations 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 2017					
Trade payables	1,045,516	–	–	–	–
Invoice discounting	121,209	–	–	–	
Other payables and provisions	–	325,674	–	–	–
Loans	1,211	3,368	5,256	1,018,180	–
Total financial liabilities	1,167,936	329,042	5,256	1,018,180	–
At 31 December 2016					
Trade payables	603,950	–	–	–	–
Invoice discounting	239,528	–	–	–	–
Other payables and provisions	201,208	–	–	–	–
Loans	1,146	3,440	4,867	916,884	–
Total financial liabilities	1,045,662	3,440	4,867	916,884	–

More details in regard to the line items are included in note 22.

Notes to the Financial Statements
continued

7. Financial instruments – Risk Management *continued*

Capital Disclosures

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

The Group's objectives when maintaining capital are:

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

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

8. Revenue

Revenue arises from:

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Sale of product	2,171,647	1,136,840
Sale of services	42,017	59,197
	2,213,664	1,196,037

9. Loss from operations

Loss from operations is stated after:

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Staff costs (note 11)	1,596,493	2,158,635
Expensed research and development costs	119,987	257,806
Amortisation[(1)]	494,709	366,784
Depreciation	56,409	61,034
Operating lease payments	99,234	118,837
Foreign exchange differences	142,331	7,613
Other Operating Income	(78,067)	(69,074)
Remuneration received by the group's auditor or associates of the Group's auditor:		
– Audit of parent company	4,750	4,500
– Audit of consolidated financial statements	18,663	16,322
– Audit of overseas subsidiaries	13,990	14,898
– Audit related assurance services	–	1,225
– Taxation compliance services	6,122	6,357
– Other taxation services	–	10,362
– Other assurance services	685	580

(1) Amortisation charges on the group's intangible assets are recognised in the administrative expenses line item in the consolidated statement of profit or loss.

Notes to the Financial Statements
continued

10. Segment information

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

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

In 2017, three customers accounted for more than 10 per cent of the revenue (2016: two customers). The total amount of revenue from these customers amounted to €1,552,221, 70.5 per cent of total revenue (2016: €459,740 or 31 per cent of total revenue).

Revenue by geographical location of customer:

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Europe	129,751	133,968
Americas	147,065	376,161
China	1,784,614	566,725
Asia (excluding China)	152,234	119,183
Revenue	2,213,664	1,196,037

Geographical information

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

	As at 31 December 2017 €	As at 31 December 2016 €
Denmark	972,148	1,303,096
	972,148	1,303,096

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

	2017		2016	
	Average	Year end	Average	Year end
Number of employees				
Sales and Services	9	8	12	10
Research and development	10	10	11	10
Production	2	2	2	2
Administration	2	2	4	2
	23	22	29	24

Group

	2017 €	2016 €
Staff costs		
Wages and salaries	1,303,836	1,718,754
Social security costs	57,241	122,812
	1,361,077	1,841,566
Share option and warrant costs	235,416	317,069
	1,596,493	2,158,635

Company

	2017 €	2016 €
Staff costs		
Wages and salaries	–	55,125
Social security costs	–	7,607
	–	62,732
Share option and warrant costs	5,656	226,510
	5,656	294,242

The Company has 4 employees (2016: 4), all being the Directors of the Company.

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 and fees €	Fair value of warrant costs €	Pension contributions €	Total €
Year ended 31 December 2017				
Directors	–	5,656	–	5,656
Year ended 31 December 2016				
Directors	236,250	226,510	–	462,760

Notes to the Financial Statements
continued

12. Finance income and expense

Finance expense

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Foreign exchange (losses)/gain	(142,331)	3,737
Interest expense on financial liabilities measured at amortised cost	(144,007)	(103,145)
Finance expense	(286,338)	(106,882)

13. Income tax

		Year ended 31 December 2017 €	Year ended 31 December 2016 €
(a)	**The tax credit for the year:**		
	Corporation tax	(66,246)	(128,109)
(b)	**Tax reconciliation**		
	Loss on ordinary activities before tax	(2,292,121)	(3,273,824)
	Loss on ordinary activities at the UK standard rate of corporation tax 19.25% (2016: 20%)	(441,943)	(654,765)
	Effects of:		
	Expenses non-deductible for tax purposes	51,467	168,233
	Depreciation for the year in excess of capital allowances	71,158	(9,920)
	Unrecognised tax losses	390,352	434,825
	Different tax rates applied in overseas jurisdictions	(71,034)	83,822
	Tax credit on research and development	(66,246)	(150,304)
	Tax credit for the year	(66,246)	(128,109)

The tax credit is recognised as 22 per cent (2016: 22 per cent) of the company's deficit that relates to research and development costs. Companies in Denmark, who conduct research and development and accordingly experience deficits can apply to the Danish tax authorities for a payment equal to 22 per cent (2016: 22 per cent) of deficits relating to research and development costs up to DKK 25 million.

(c) Deferred tax – Group

In view of the tax losses carried forward there is a deferred tax on losses of approximately €2,106,853 (2016: €1,867,938) 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 on losses of approximately €190,485 (2016: €164,790) 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.

Notes to the Financial Statements
continued

14. Loss per share

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

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Loss for the year	(2,225,875)	(3,145,347)
Weighted average number of ordinary shares for the purpose of basic earnings per share	41,050,362	38,950,108
Basic loss and diluted, cents per share	(5.4)	(8.1)

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

15. Dividends

No dividends were proposed by the Group during the period under review (2016: €Nil).

16. Investment in Subsidiaries

	€
Company	
At 1 January 2017	7,648,349
Capital contribution in the year	1,746,165
As at 31 December 2017	9,394,514

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

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

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

Windar Photonics A/S was incorporated on 28 December 2008 in Denmark and acquired by the Company in August 2014. During the year the Company invested the funds received from the share placing in to its main trading subsidiary, Windar Photonics A/S, and an increase in the investment of €1,746,165 was made. In the prior year an intercompany receivable due from Windar Photonics A/S of €3,362,745 was waived and treated as a capital contribution.

The previously 100 per cent indirectly owned company Windar Photonics Inc. incorporated in the State of Delaware, USA, was dissolved on 21 March 2017.

Windar Photonics A/S owns 100 per cent of the issued common stock of Windar Photonics (Shanghai) Co.,Ltd. Windar Photonics (Shanghai) Co. Ltd. was incorporated on 18 May 2016 in China with a registered capital of USD 200,000 of which USD 51,176.98 is paid in as per 31 December 2017.

Notes to the Financial Statements
continued

17. Intangible assets

Group	Development projects €
Cost	
At 1 January 2016	2,079,857
Additions – internally developed	474,435
Grants received	(48,420)
Exchange differences	7,862
At 31 December 2016	2,513,734
Additions – internally developed	333,480
Grants received	(152,447)
Exchange differences	(3,698)
At 31 December 2017	**2,691,069**
Accumulated amortisation	
At 1 January 2016	959,648
Charge for the year	366,784
Exchange differences	3,627
At 31 December 2016	1,330,059
Charge for the year	494,709
Exchange differences	(2,293)
At 31 December 2017	1,822,475
Net carrying value	
At 1 January 2016	1,120,209
At 31 December 2016	1,183,675
At 31 December 2017	868,594

The Group received Research and Development Grants from Energiteknologisk Udvikling og Demonstration Projekt of €152,447 (2016: €48,420) in respect of the capitalised research and development. The Group has the ability to claim a further €174,342 (2016: €388,393) of grants in future years in respect of on-going Research and Development.

Notes to the Financial Statements
continued

18. Property, plant & equipment

Group	Plant and equipment €
Cost	
At 1 January 2016	226,428
Additions	35,635
Exchange differences	870
At 31 December 2016	262,933
Additions	44,312
Disposed	(12,703)
Exchange differences	(494)
At 31 December 2017	294,048
Accumulated depreciation	
At 1 January 2016	82,153
Charge for the year	61,034
Exchange differences	325
At 31 December 2016	143,512
Charge for the year	56,409
Disposed	(12,703)
Exchange differences	(254)
At 31 December 2017	186,964
Net carrying value	
At 1 January 2016	144,275
At 31 December 2016	119,421
At 31 December 2017	107,084

19. Inventory

	Group	
	As at 31 December 2017 €	As at 31 December 2016 €
Raw material	335,653	496,442
Work in progress	340,535	110,654
Finished goods	63,421	386,561
Inventory	739,609	993,657

The cost of inventory sold and recognised as an expense during the year was €1,301,047, (2016: €627,255).

Notes to the Financial Statements
continued

20. Trade and other receivables

	Group		Company	
	As at 31 December 2017 €	As at 31 December 2016 €	As at 31 December 2017 €	As at 31 December 2016 €
Trade receivables	428,979	585,257	–	–
Impairment allowance beginning of period	(27,536)	–	–	–
Provision utilised during the year	–	–	–	–
Provision charge during the year	(20,148)	(27,536)	–	–
Impairment allowance end of period	(47,684)	(27,536)	–	–
Trade receivables – net	381,295	557,721	–	–
Intragroup receivables	–	–	276,299	813,237
Total financial assets other than cash and cash equivalents classified as loans and receivables	381,295	557,721	276,299	813,237
Tax receivables	66,169	150,336	–	–
Other receivables	150,541	108,564	12,180	20,922
Total other receivables	216,710	258,900	12,180	20,922
Total trade and other receivables	598,005	816,621	288,479	834,159
Classified as follows:				
Current Portion	598,005	816,621	288,479	834,159

The ageing of the trade receivables as at 31 December 2017 is detailed below:

	Group	
	2017 €	2016 €
Neither past due nor impaired:	216,591	407,616
Past due but not impaired:		
0 to 30 days	–	21,261
30 to 60 days	1,306	8,601
60 to 90 days	13,453	–
Over 90 days	149,943	120,243
	381,295	557,721

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

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

Of the net trade receivables €152,407 (2016: €521,226) was pledged as security for the invoice discounting facility.

Maturity analysis of the financial assets, including trade debtors, restricted cash and other receivables, classified as financial assets measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

	Group		Company	
	As at 31 December 2017 €	As at 31 December 2016 €	As at 31 December 2017 €	As at 31 December 2016 €
Up to 3 months	381,295	557,721	12,180	–
Within 12 months	216,710	258,900	276,299	834,159
	598,005	816,621	288,479	834,159

Notes to the Financial Statements
continued

21. Cash and cash equivalents

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

	Group		Company	
	As at 31 December 2017 €	As at 31 December 2016 €	As at 31 December 2017 €	As at 31 December 2016 €
Cash at bank	1,116,503	783,166	180,727	251,310

The Group has restricted cash balances of €234,692 (2016: €30,609) which are not part of cash balances for the cash flow statement. The restricted cash balances relate to transactions entered into between the Group and external financial parties. When EKF has credit approved a customer EKF issues a non-recourse payment guaranties to an external financial party typically of 80 per cent to 90 per cent of the face value of the transaction. Upon shipment of the products the Group then sells the invoice to the external financial party at face value subject to depositing and pledging a cash amount equal to the difference between the face value of the invoice and the EKF guaranties. When the customer typically one year later pays the full invoice amount to the financial party, the deposit is paid in full to the Group.

22. Notes supporting statement of cash flows

	Non-current loans and borrowings €	Current loans and borrowings €	Total €
As at Beginning of period	921,751	4,586	926,337
Repayment of loans	–	(4,580)	(4,580)
Accrued interests on non-current loans	107,937	–	107,937
Loans and borrowings classified as non-current in previous period becoming current in this period	(4,579)	4,579	–
Foreign exchange rate differences	(1,300)	(6)	(1,306)
As at End of period	1,023,809	4,579	1,028,388

23. Trade and other payables

	Group		Company	
	As at 31 December 2017 €	As at 31 December 2016 €	As at 31 December 2017 €	As at 31 December 2016 €
Invoice discounting	121,209	239,528	–	–
Trade payables	1,045,516	603,950	38,720	98,210
Other payables and provisions	325,675	201,038	20,000	–
Current portion of Nordea loan	4,579	4,586	–	–
Total financial liabilities, excluding non-current loans and borrowings classified as financial liabilities measured at amortised cost	1,496,979	1,049,102	58,720	98,210
Deferred revenue	6,716	226,942	–	–
Total trade and other payables	1,503,695	1,276,044	58,720	98,210
Classified as follows:				
Current Portion	1,503,695	1,276,044	58,720	98,210

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

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

Notes to the Financial Statements
continued

23. Trade and other payables *continued*

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

	Group		Company	
	As at 31 December 2017 €	As at 31 December 2016 €	As at 31 December 2017 €	As at 31 December 2016 €
Up to 3 months	1,174,653	1,143,039	38,720	98,210
Within 12 months	329,042	172,648	20,000	–
	1,503,695	1,315,687	58,720	98,210

24. Borrowings

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

	Group Book and fair value	
	As at 31 December 2017 €	As at 31 December 2016 €
Loans		
Growth Fund	1,007,410	900,743
Nordea Ejendomme	20,978	25,594
Current portion of Nordea Loan	(4,579)	(4,586)
Total non-current financial liabilities measured at amortised costs	1,023,809	921,751

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

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

Both Loans are denominated in Danish Kroner.

The Company had no borrowings.

Notes to the Financial Statements
continued

25. Financial risk management objectives and policies

Foreign currency risk

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

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

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

Sensitivity analysis

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

The sensitivity analysis assumes that there is no or little risk in respect of the € and the Danish Kroner as the Danish Kroner is 'linked' to the €. The movement in the exchange rate in the last 24 months being 0.24 per cent (2016: 0.14 per cent). The sensitivity on the RMB is estimated at +/-10 per cent exchange rate of the previous 24 months is (2016: 3 per cent).This has been determined based on the average market volatility in exchange rates in the previous 24 months. The group has no exposure to USD in the current period, but the sensitivity was estimated at 15 per cent of the exchange rate for 2016.

As at 31 December 2017 the Groups exposure to foreign currency was as follows:

	€		DKK		USD		RMB		Total	
	2017 €	2016 €	2017 €	2016 €	2017 €	2016 €	2017 €	2016 €	2017 €	2016 €
Net foreign currency financial assets/(liabilities)										
€	158,692	174,022	–	–	–	–	–	–	158,692	174,022
USD	–	–	–	–	–	(5,135)	–	–	–	(5,135)
DKK	–	–	(947,446)	(779,834)	–	–	–	–	(947,446)	(779,834)
RMB	–	–	–	–	–	–	75,530	50,564	75,530	50,564
Total net exposure	158,692	174,022	(947,446)	(779,834)	–	(5,135)	75,530	50,564	(713,224)	(560,383)

Year		Change in rate	Effect on profit before tax €	Effect on other comprehensive income €
2017	RMB	+10%	(7,553)	(7,553)
	RMB	-10%	7,553	7,553
2016	USD	+15%	(224)	(224)
	USD	-15%	224	224
	RMB	+3%	(1,733)	(1,733)
	RMB	-3%	1,733	1,733

Notes to the Financial Statements
continued

26. Share capital

On 12 July 2017 the Company issued 1,524,390 ordinary shares of 1 pence each for cash consideration at £0.82 per share. On 26 September 2016 the Company issued 710,018 ordinary shares of 1 pence for cash consideration at 67.5 pence per share. On 19 December 2016 the Company issued 522,082 ordinary shares of 1 pence for cash consideration at 94 pence per share.

	Authorised 2017	€ 2017	Authorised 2016	€ 2016
Shares at beginning of reporting period	40,283,979	513,327	38,166,377	487,688
Issue of share capital on 2 July 2018	1,524,979	17,216	2,032,102	24,558
Shares at end of reporting period	41,808,369	530,543	40,283,979	513,327

	Number of shares issued and fully paid 2017	€ 2017	Number of shares issued and fully paid 2016	€ 2016
Shares at 1 January 2017	40,283,979	513,327	38,166,377	487,688
Issue of shares for cash	1,524,390	17,216	2,032,102	24,558
Issue of shares for cash for the satisfaction of fees	–	–	85,500	1,081
Shares at 31 December 2017	41,808,369	530,543	40,283,979	513,327

At 31 December 2017 the share capital comprises 41,808,369 shares of 1 pence each.

Warrants and share options

Warrants are granted to Directors and employees.

A total of 75,000 warrants issued in 2014 lapsed on 31 December 2017. A further 1,520,956 warrants issued in 2014 were extended until 31 December 2019 on unchanged terms except for the strike price being increased by 5 per cent if exercised in 2018 and by 10 per cent if exercised in 2019.

On 16 November 2017 420,000 options were issued to certain employees at a strike price of £1.

The 2014 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 per cent. The expected volatility is based on historical volatility of the AIM market over the last two years and is estimated to be 40 per cent.

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

The average share price during the year was 89.8 pence (2016:100 pence). At the year end the Company had the following warrants and options outstanding:

	Number of warrants and options					
	At 31 December 2016	Granted	Lapsed	At 31 December 2017	Exercise price (£ pence)	Exercise date
Warrants	1,520,956	–	–	1,520,956	39.07	29/08/14 to 31/12/19
Warrants	75,000	–	(75,000)	–	100.00	Expired
Options	–	420,000	–	420,000	100.00	16/11/18 to 16/11/27
	1,595,956	420,000	(75,000)	1,940,956		

Notes to the Financial Statements

continued

27. 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 difference between the consideration paid for the acquisition of Windar Photonics A/S by the Company and the net book value of the assets and liabilities acquired.
Foreign currency reserve	Gains and losses on the retranslating the net assets from the functional currencies to the reporting currency of €.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

28. Operating Leases

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

	2017 €	2016 €
Not later than one year	102,744	11,743
Later than one year and not later than five years	50,721	245,494
Later than five years	–	–
	153,465	257,237

All leasing commitments are in respect of property and cars leased by the Group. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses.

29. Warranty provision

	2017 €	2016 €
Provision at the beginning of reporting period	39,643	24,413
Provision charged to the profit and loss account	49,068	30,421
Utilised in year	(16,181)	(15,425)
Foreign exchange rate movements	(325)	234
	72,205	39,643

The Group typically provides a two-year warranty period to customers on products sold. Actual booked warranty expenses charged to the Statement of Profit or Loss and Other Comprehensive Income amounted to €16,181 (2016: €15,425) corresponding to a warranty cost percentage of 0.6 per cent (2016: 0.8 per cent) relative to the prior two years revenue. However, due to the early business stage of the Group and the uncertainty following this the Group has adopted a policy to accrue a 2 per cent warranty provision based on the prior two years revenue.

30. Related Party Transactions

Jørgen Korsgaard Jensen and Johan Blach Petersen are directors and shareholders of O-Net Wavetouch Denmark A/S (Wavetouch). Wavetouch has during the year rented office space from Windar Photonics A/S, the amount payable during the year to Windar was €36,512 (2016: €22,565). There were no amounts outstanding at the year end from Wavetouch (2016:€ Nil).

Notice of Annual General Meeting

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

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of Windar Photonics plc (the "Company") will be held at the offices of Cantor Fitzgerald Europa One Churchill Place, Canary Wharf London E14 5RB at 1.00 p.m. on 25 June 2018 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 2017 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect J Petersen, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
3. To re-elect J Korsgaard Jensen, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
4. To re-elect S Hoffer, who retires as he was appointed during the year pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
5. 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.
6. To authorise the Directors to fix the remuneration of the auditors.
7. 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 £93,616, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 30 June 2019 (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

8. 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 £83,616,

    and shall expire on the earlier of the conclusion of the next annual general meeting and 30 June 2019 (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 23 May 2018

By Order of the Board

Jørgen Korsgaard Jensen
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 7 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 8 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 2-4: Re-election of directors

The Company's articles one third of the Directors to retire by rotation at each AGM and at the first AGM following their appointment. The board proposes them for re-election as Directors of the Company. Biographical details of all directors can be found on page 7 of the 2017 annual report.

Resolutions 5 and 6: 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 7: 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 £83,616, which is equal to 20 per cent 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 2019 (whichever is the earlier).

Resolution 8: 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 £83,616, which will be equal to 20 per cent 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 2019 (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, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR,.or by scan and email to Share Registrars at proxies@shareregistrars.uk.com, not later than 1 p.m. on 22 June 2018.

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

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company's register of members not less than 48 hours before the time of the meeting or, in the event that the meeting is adjourned, on the Register of Members of the Company not less than 48 hours before the time of any adjourned meeting, and only such members shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 1 p.m. on 22 June 2018 or, in the event that the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

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

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

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

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

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

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

    In either case, the revocation notice must be received by Share Registrars no later than 1 p.m. on 22 June 2018.

    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.

Notice of Annual General Meeting
continued

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

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

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

    As at 5.00 p.m. on the date immediately prior to this notice the Company's issued share capital comprised 41,808,369, ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company is 41,808,369.

Printed by Michael Searle & Son Limited