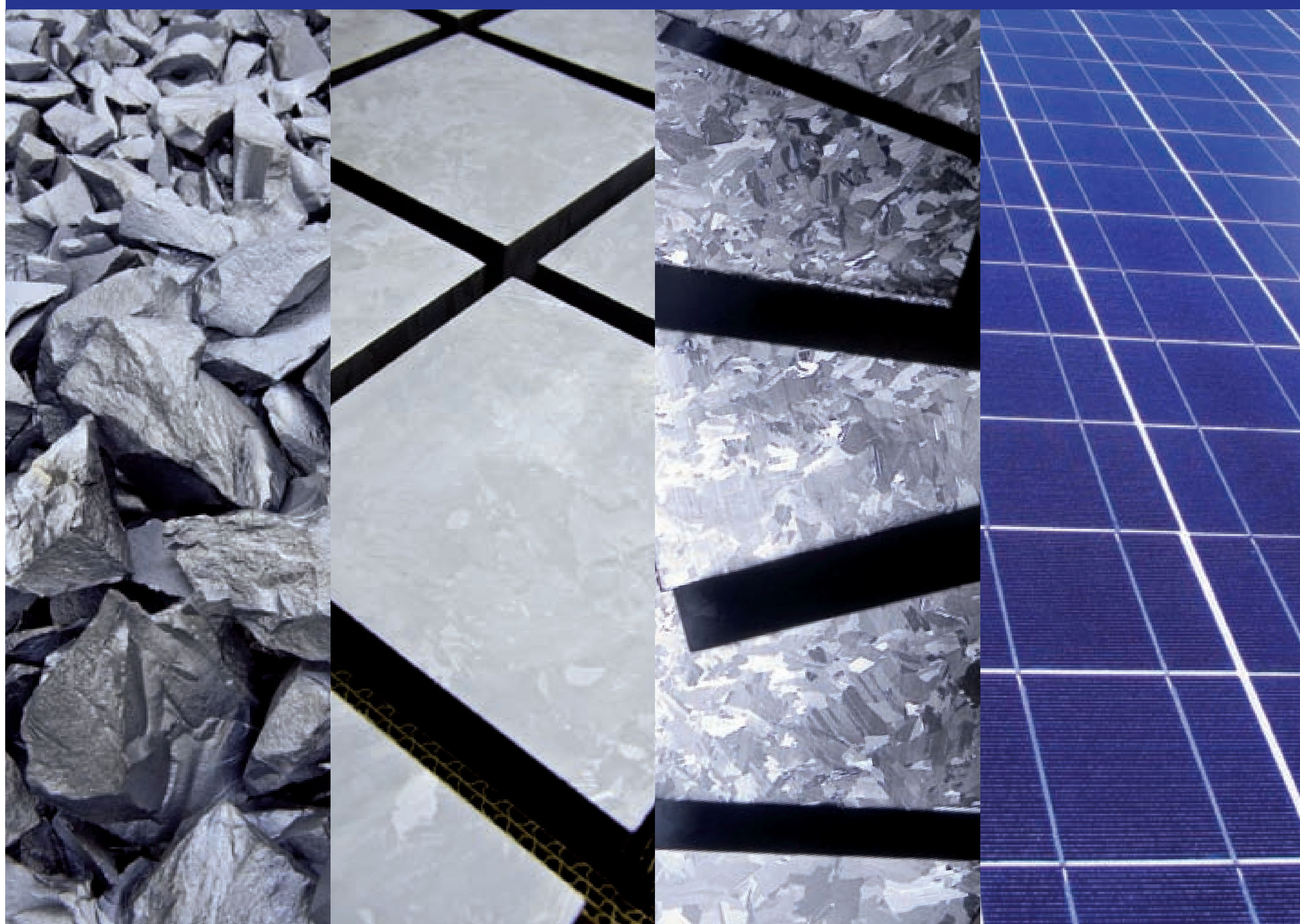
pv crystalox solar

PV CRYSTALOX SOLAR PLC
ANNUAL REPORT AND ACCOUNTS 2007



WHO WE ARE

PV Crystalox Solar PLC is a highly specialised supplier to the world's leading solar cell manufacturers. It produces multicrystalline silicon ingots and wafers for use in solar electricity generation systems. The Group was one of the first to develop multicrystalline technology on an industrial scale, setting the industry standard for ingot production.

PV Crystalox was one of the first companies to develop multicrystalline technology on an industrial scale, setting the industry standard for ingot production. The Group manufactures silicon ingots in Oxfordshire, United Kingdom, and carries out wafer production for European customers at its facilities in Erfurt, Germany. Wafers for customers in Asia are produced in Japan. PV Crystalox Solar was admitted to the main market of the London Stock Exchange on 11 June 2007. The Group's production output of silicon wafers during 2007, was sufficient for production of solar modules (or solar electricity generation systems) with total peak output of 190MW.

IFC **WHO WE ARE**
OUR HISTORY
01 **OUR HIGHLIGHTS**
02 **OUR MARKET**
MARKET GROWTH
03 **OUR PLACE IN THE PROCESS**
04 **CHAIRMAN'S STATEMENT**
06 **BUSINESS REVIEW**
12 **BOARD OF DIRECTORS**
13 **ADVISORS**
14 **DIRECTORS' REPORT**
17 **STATEMENT OF DIRECTORS' RESPONSIBILITIES**
18 **CORPORATE GOVERNANCE**
21 **DIRECTORS' REMUNERATION REPORT**
24 **CONSOLIDATED FINANCIAL STATEMENTS**
25 **REPORT OF THE INDEPENDENT AUDITOR**
26 **CONSOLIDATED INCOME STATEMENT**
27 **CONSOLIDATED BALANCE SHEET**
28 **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
29 **CONSOLIDATED CASH FLOW STATEMENT**
30 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
55 **COMPANY FINANCIAL STATEMENTS**
56 **REPORT OF THE INDEPENDENT AUDITOR**
57 **ACCOUNTING POLICIES**
58 **COMPANY BALANCE SHEET**
59 **NOTES TO THE COMPANY FINANCIAL STATEMENTS**

OUR HISTORY

1982
Crystalox Ltd established

1994
Management buy-out

1997
PV Silicon incorporated

1999
Strategic partnership Crystalox/PV Silicon

OUR HIGHLIGHTS

Revenue of the Group's core business of silicon products up 14.9% to €212.9 million

Adjusted EBIT (before non-recurring expenses; IPO costs (€3.4 million) and employee share costs (€3.0 million)) up 52.8% to €73.9 million

Profit before taxation up 44.4% to €70.8 million

Adjusted PBT (before non-recurring expenses; IPO costs and employee share costs) up 57.3% to €77.1 million

Operating return on sales up from 19.9% to 28.0%

Free cash flow up 195.3% to €36.1 million

Total revenue
+8.7%
€263.4 million

Net profit
+48.7%
€47.0 million

Earnings before interest and tax (EBIT)
+39.7%
€67.5 million

Basic earnings per share
+42.9%
12.0 Euro cents

The Directors' Report on pages 14 to 16 and the Directors' Remuneration Report on pages 21 to 23 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the Directors for these reports is owed solely to PV Crystalox Solar PLC.

The directors submit to the members their Annual Report and financial statements of the Group for the year ended 31 December 2007. Pages 1 to 23, including the Financial Highlights, Chairman's Statement, Corporate Governance Statement, Directors and Advisors, Directors' Report and Directors' Remuneration Report form part of the Report of the Directors.

2002
Merger Crystalox/PV Silicon, PV Crystalox Solar AG incorporated

2004
Leading multicrystalline silicon ingot producer worldwide

2006
Decision to build silicon production plant

PV Crystalox Solar PLC established

2007
IPO on London Stock Exchange in June and joined the FTSE 250 in September

OUR MARKET

The sun's energy is effectively limitless and we believe it is set to play a dramatically increasing role in replacing our reliance upon harmful hydrocarbons.

With a market share of over 90%, silicon-based technologies dominate the commercial solar energy market.

PV Crystalox Solar is a leading supplier of multicrystalline silicon ingots and wafers to the solar industry.

MARKET GROWTH

Key drivers for the solar electricity market are:

- Global warming
- Environmental awareness
- Energy independence
- Limited and costly fossil fuel energy
- Political commitment
- Regulation/subsidies
- Technological improvement
- Shift towards isolated energy sources

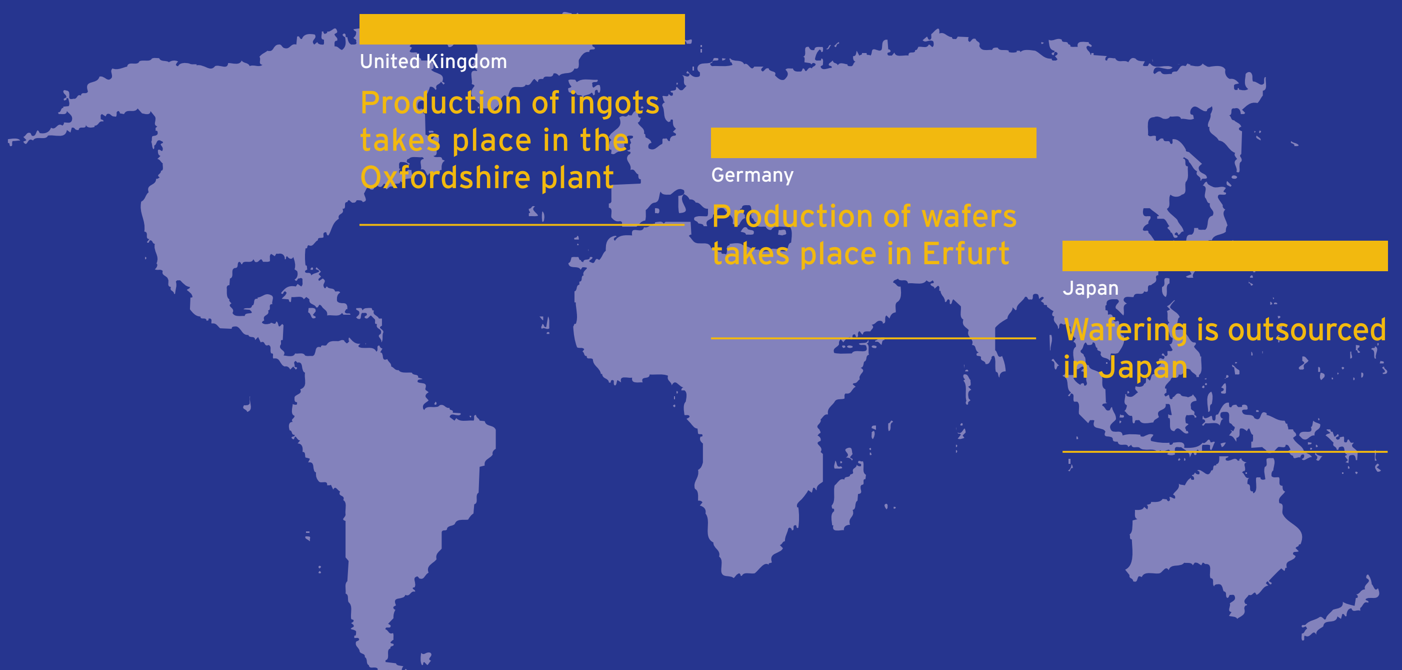
Looking forward over the next ten years we see high solar cell efficiency concepts based on crystalline silicon wafer technology as the best option to make solar electricity competitive with conventional electricity.

OUR PLACE IN THE PROCESS

PV Crystalox Solar PLC

SILICON PROCESSING TECHNOLOGY

DEVICE TECHNOLOGY



United Kingdom

Production of ingots takes place in the Oxfordshire plant

Germany

Production of wafers takes place in Erfurt

Japan

Wafering is outsourced in Japan

CHAIRMAN'S STATEMENT

MAARTEN HENDERSON
NON-EXECUTIVE CHAIRMAN

I am pleased to present our first full year results as a public company and to report that Group sales totalled €263.4 million (up 8.7%) while underlying growth in our core silicon products business was up 14.9% to €212.9 million. Our results show a substantial improvement in operating margins from 19.9% to 28.0% and an increase in earnings before taxation of 44.4% to €70.8 million.

SUMMARY OF CHAIRMAN'S STATEMENT

In line with the expectations set at the time of the IPO, the Board has recommended a final dividend of 2.5 Euro cents per share (payable in Sterling) will be paid on 11 June to shareholders on the register on 2 May 2008.

The market for our products continues to grow due to surging worldwide demand for energy coupled with increasing commitment of governments to arrest and reduce carbon dioxide emissions.

Our strategic focus remains on the major solar cell producers with 74% of silicon product sales being made to the top ten global companies.

The Group is well positioned for future growth.

I am pleased to present our first full year results as a public company and to report that Group sales totalled €263.4 million (up 8.7%) while underlying growth in our core silicon products business was up 14.9% to €212.9 million. Our results show a substantial improvement in operating margins from 19.9% to 28.0% and an increase in earnings before taxation of 44.4% to €70.8 million. Our successful IPO in June has strengthened our equity base and is enabling us to invest in the future growth of the business.

While the turmoil on global financial markets meant that our share price fluctuated during the year, it finished the year strongly. On 12 September our shares entered the FTSE 250 index and outperformed the index by 28% in the period to 31 December. Basic earnings per share grew by 42.9% to €0.12 reflecting the strong growth from our products and our careful management of costs. The Board recognises the importance of dividends to shareholders and in line with the expectations set at the time of the IPO, the Board has recommended a final dividend of 2.5 Euro cents per share will be paid on 11 June to shareholders on the register on 2 May 2008. This dividend is payable in cash in Sterling and will be converted from Euros into Sterling at the forward exchange quoted by The Royal Bank of Scotland Group at 11.00 a.m. on 2 June 2008.

The market for our products continues to grow due to surging worldwide demand for energy coupled with increasing commitment of governments to arrest and reduce carbon dioxide emissions. The International Energy Agency (IEA) forecasts an annual worldwide increase of over 55% in energy demand by 2030 and thus the potential for solar electricity is considerable. In 2007 solar energy generated only 0.06% of the world's electricity and even with continuing annual growth of 35% solar electricity would still only represent 5% of world demand in 2020.

During the year we have successfully completed the transition from our former position as predominantly a supplier of multicrystalline ingots to become a leading wafer supplier thus enabling the broadening of our customer base. We continue to enjoy long established relationships with PV companies in our major markets Japan and Germany. Our strategic focus remains on the major solar cell producers with 74% of silicon product sales being made to the top ten global companies. Furthermore, we have strengthened partnerships with two of these companies through the signing of long term agreements.

Our strategy is to drive growth through a secured silicon feedstock supply and to expand our production capacity at a flexible and controlled rate to ensure a sustainable business. We believe that the availability of economically priced silicon and continual incremental cost reduction will be imperative to ensure the growth of the global PV market during the coming years. We continue on this path of solid controlled expansion and have now strengthened our position by further diversifying the source of our silicon supply.

We have continued to develop and strengthen our organisation and have employed a number of key personnel at our new polysilicon plant in Bitterfeld. In addition we have appointed Kazumasa Akiyama as the new President at our subsidiary in Japan and he will bring extensive financial and commercial expertise to our operations there. Commitment and motivation of our staff has been enhanced by the granting of shares from our Employee Benefit Trust to long serving managers across the Group. We recognise that the quality of our employees is one of the Group's key attributes and on behalf of the Board I would like to record our thanks to all of them for their outstanding contribution over the past year.

Even the most pessimistic forecast of the European Photovoltaic Industries Association envisages that the global PV market will more than double over the next three years and that crystalline silicon technology will continue to dominate. The Board shares this positive view and believes the Group is well positioned for future growth with our own internal silicon production in 2009 complementing our contracted polysilicon supplies and enabling us to strengthen our position as one of the PV industry's lowest cost wafer producers.

MAARTEN HENDERSON
NON-EXECUTIVE CHAIRMAN
2 APRIL 2008

Our strategy is to drive growth through a secured silicon feedstock supply and to expand our production capacity at a flexible and controlled rate to ensure a sustainable business.

We continue on this path of solid controlled expansion and have now strengthened our position by further diversifying the source of our silicon supply.

We have appointed Kazumasa Akiyama as the new President at our subsidiary in Japan and he will bring extensive financial and commercial expertise to our operations there.

BUSINESS REVIEW

DR. IAIN DORRITY
CHIEF EXECUTIVE OFFICER

DR PETER J. FINNEGAN
CHIEF FINANCIAL OFFICER

Indeed the underlying performance of the Group's core silicon production business grew by 14.9% to €212.9 million. This positive momentum demonstrates the Company's continuing position as one of the PV industry's leading wafer producers.

Sales of silicon product

+14.9%
€212.9 million

EBIT before IPO costs

+46.8%
€70.9 million

INTRODUCTION

The financial year of 2007 has been one of solid progress with full year revenue of €263.4, an increase of 8.7%. This represents a very strong second half performance with wafer output increasing as we took delivery of additional polysilicon under existing contractual arrangements and with sales prices firming due to the strong market demand. Indeed the underlying performance of the Group's core silicon production business grew by 14.9% to €212.9 million.

This positive momentum demonstrates the Group's continuing position as one of the PV industry's leading wafer producers and builds on our unrivalled experience gained through our pioneering development of directional solidification technology for production of multicrystalline silicon.

Our production output was equivalent to 190MW and while this represented a reduction on the 215MW achieved in the previous year, our earnings before interest, taxation and IPO costs actually grew by 46.8% to €70.9 million.

OPERATIONS

2007 saw the completion of our transition from an ingot supplier to become first and foremost a supplier of wafers such that in the second half of the year only wafers were supplied to our PV customers.

The limited availability of silicon raw material continued to restrict growth in the PV industry and led to significant increases in spot silicon prices. However the Group's strong position with polysilicon contracts with two of the major producers ensured deliveries in 2007 and enabled us to effectively control our raw material costs. Our future visibility was recently further enhanced when we reached agreement with one of our current longstanding suppliers in March 2008 to maintain existing volumes and extend contracted supply through to 2014.

We improved our effective silicon utilisation through our continuing work with our customers on the move to thinner wafers such that >20% of wafers shipped in 2007 were supplied at industry leading 180μm thickness and all customers had adapted to maximum 200μm thickness during the second half of the year. In addition we adopted new technology for ingot cutting which will enable very significant reduction in silicon losses during block production. The new ingot wire saws will effectively reduce kerf loss by >90% in comparison with the sawing equipment used previously.

In May we announced our plans to set up our own 1800MT polysilicon production facility in order to complement our external contracted supply. This internal production will provide access to cost effective silicon and will be a key driver of our future growth and profitability. The facility is based in Bitterfeld, Germany in one of the largest chemical parks in Europe and located next to an existing production facility operated by our supplier Evonik (formerly Degussa) who is the world's largest producer of high purity chlorosilanes. The raw material will be piped to our plant and will be decomposed to produce silicon using a modified Siemens process. The production will operate with a closed-loop chlorine cycle in order to maximise production efficiency and to eliminate environmental hazards.

Construction of the plant started immediately after the ground breaking ceremony which was held on 19 September and attended by the Saxony-Anhalt Minister for Economic Affairs and Employment.

Free cash flow

+195%
€36 million

Operating cash flow

+290%
€63 million

Below: first stage – polysilicon feedstock used for the production of multicrystalline silicon ingots.

Below right: intermediate stage – square silicon blocks are sectioned from multicrystalline silicon ingots.

Large image: typical rooftop mounted solar silicon photovoltaic array.

OPERATIONS CONTINUED

With orders placed for all the major equipment we remain on schedule for commercial production to start in 2009 with projected output of 900MT in the first year of operation and increasing to 1800MT in 2011. However, the increased demand for raw materials and global engineering and construction services has resulted in materially higher prices. These price increases, together with some productivity enhancements to the planned plant, have led to projected overall capital investment being increased from the original €80 million to approximately €100 million, of which €21 million will be receivable in grants and subsidies. The Group's strong free cash flow which was up by 195% to €36.1 million in 2007 is more than adequate to cover this additional cost.

STRATEGY

PV Crystalox Solar is committed to systematically enhancing its leadership in the PV industry as an independent producer of multicrystalline silicon wafers. By focusing on the wafer and not competing with our customers in cell production we are able to develop strong relationships with solar cell producers.

We continue to strengthen partnerships with major PV companies in Japan and Germany where we have long established relationships. In 2007, 81.4% of our sales were made to these geographic markets which represent two of the world's three leading PV manufacturing centres. Our strategy of cost leadership and flexibility is underpinned by carrying out wafer production in both of these two key countries. This proximity of production to customers not only facilitates closer cooperation but also enables us to rapidly address changes in customer needs. Furthermore our dual geographic wafer production locations help offset the influence of Euro/Yen exchange rate variations. We also recognise the growing importance of China as a manufacturing location and our developing relationships there meant that sales in this region accounted for 6.3% of our revenues.

Although the PV industry sees an ever increasing number of new entrants to solar cell production, the top ten producers continue to dominate and accounted for 66.6% of total world production in 2006. Our focus remains on the top ten producers and these accounted for more than 74% of our core silicon product sales in 2007 and partnerships were further consolidated with two of these companies through the signing of long term agreements for the sale of 355MW of wafers over the next five/seven years. At the same time we are developing relationships with those smaller companies which we identify as having the potential to grow to become significant players in the market.

Our new polysilicon production facility in Bitterfeld will provide further flexibility and enhance our position as one of the PV industry's low cost producers.

RISKS

The Board regularly reviews risks faced by the Group and how they may be mitigated. The principal risks and uncertainties can be summarised as follows:

- Continued government incentives are critical to the development of the solar electricity industry and without these, increased uptake of solar electricity may be slow to develop. The Group mitigates these risks by focusing supply on major PV companies which through their superior market share and operating efficiencies are better equipped to push product into the market.

Our new polysilicon production facility in Bitterfeld will provide further flexibility and enhance our position as one of the PV industry's low cost producers.

The Group's strong profitability, strong balance sheet and strong operational cash flow give the directors a firm basis to be confident about the year ahead.

The Group is well positioned both operationally and financially to play a significant role in the PV industry and looks forward to the future with confidence.

BUSINESS REVIEW
CONTINUED

With more than 80% of our wafer output in 2008 now secured through existing long term or framework agreements our prospects for 2008 remain very positive. Furthermore, the Group expects to announce additional long term wafer supply agreements with both new and existing customers during the next few months and these will provide greater visibility for future years.

RISKS CONTINUED

- Sales to a small number of customers represent a substantial portion of the Group's revenues and the loss of any major customers could significantly impact on the Group's financial condition. However the Group seeks to mitigate this risk by the use of long term agreements wherever possible. In addition our strategy is to concentrate on customers that are financially strong with a clear strategic vision for the PV industry and accordingly the potential to be long term major players in the industry.

- Silicon availability is crucial to the efficient operation of the Group. The Group mitigates this by securing high quantities of feedstock at fixed prices from key suppliers and this year has taken the step to set up a silicon feedstock production facility in Bitterfeld.

- Loss of a key facility. The Group operates two ingot manufacturing facilities in the UK together with a wafering operation in Germany and is also reliant on a sub-contractor to process its ingots into wafers in Japan. Production problems at any one of these would interrupt revenue streams.

FINANCIAL REVIEW

In the period under review the Group generated underlying earnings before interest and taxation (EBIT before IPO costs) of €70.9 million (2006: €48.3 million) benefiting from robust second half performance. The continuing improvement in underlying profitability was driven primarily by higher market prices, although volumes increased in the second half of the year following higher quantities of raw materials being available from existing suppliers. The relatively weak Japanese Yen had a negative impact on Group sales turnover in the period although there was some improvement in this respect in the second half of 2007. However, the Group's natural hedging position in terms of Japanese Yen meant that there was a limited impact on profitability in the year. The Group's EBIT, after IPO costs of €3.4 million, was €67.5 million (2006: €48.3 million).

Net interest income at €3.3 million (2006: €0.7 million) is significantly higher than last year due to interest arising from depositing the proceeds from our IPO and the funds generated by our strong operational cash flow. The main part of the IPO proceeds will be expended during 2008 on our new polysilicon plant at Bitterfeld and on capital expenditure to expand our existing production operation.

Earnings increased to €47.0 million (2006: €31.6 million) and unadjusted earnings per share increased by 42.9% to €0.120 (2006: €0.084).

These strong financial results generated operating cash flows of €63.3 million (2006: €16.3 million) and net cash inflows of €97.1 million (2006: €29.6 million). The net cash inflows obviously include our IPO proceeds of €76.8 million although €26.1 million had already been expended on capital expenditure in 2007 (2006: €3.7 million).

The Group's strong profitability, strong balance sheet and strong operational cash flow give the directors a firm basis to be confident about the year ahead.

OUTLOOK

The market drivers for the business remain positive and although there is diversity in the various forecasts for growth of PV installations, even the relatively conservative view of the European Photovoltaic Industries Association (EPIA) envisages doubling of the market by 2010, with the European countries and USA expected to be the major markets.

We anticipate further tightening in the supply of scrap silicon during 2008 but this will be partially offset by our continuing efforts in improving silicon utilisation through increased levels of recycling, thinner wafers and new ingot cutting methods. Deliveries of polysilicon will increase under existing contractual arrangements to 1540MT and thus the Group anticipates that 2008 wafer shipments will be in the range 210–225MW.

Strong market demand during the start of 2008 has meant that wafer prices, which firmed during the second half of 2007, have been maintained and this trend is expected to continue. Thus, with more than 80% of our expected wafer output in 2008 now secured through existing long term or framework agreements our prospects for 2008 remain very positive. Furthermore, the Group expects to announce additional long term wafer supply agreements with both new and existing customers during the next few months and these will provide greater visibility for future years.

Consequently the Board believes that the Group is well positioned both operationally and financially to play a significant role in the PV industry and looks forward to the future with confidence.

IAIN DORRITY
CHIEF EXECUTIVE
2 APRIL 2008

Opposite page: a spectacular solar array using multicrystalline silicon wafers.

Left: intermediate stage – ingots are carefully divided into individual silicon blocks prior to wafering.

Right: final stage – wafers pass through a cleaning bath before packing and despatch.

BOARD OF DIRECTORS

MAARTEN HENDERSON

NON-EXECUTIVE CHAIRMAN

Mr Henderson, a Dutch national born in 1948 in Eindhoven Netherlands, graduated in economics from Hamburg University. He started his career at multinational electronics company Philips in 1972, where he held various commercial and financial positions, ending as Member of the Board of Management and CFO of Philips Kommunikations Industrie AG in 1996. After that, he was CFO and Member of the Board of Management of Schmalbach-Lubeca AG an international packaging company listed in Germany from 1996 to 1999, of KPN N.V. the Dutch telecommunications incumbent listed in Amsterdam and New York from 2000 to 2004, and of Nuon N.V. a Dutch energy company from 2004 to 2006. In 2006 and early 2007, he worked for mobile service provider debitel AG as interim CFO and head of the divestment team. From April 2007 to October 2007 he worked as Member of the Board of Management and CFO for Getronics N.V. an international ICT services company listed in Amsterdam. In March 2007 it was announced that Maarten Henderson had been appointed by Hagemeyer's general meeting of shareholders as Hold Separate Manager (a "B Director") of the Management Board of Hagemeyer a company listed in Amsterdam.

DR HUBERT AULICH

EXECUTIVE DIRECTOR, GERMAN OPERATIONS

Dr Aulich has a PhD in Physical Chemistry from NYU, New York City, USA. Dr Aulich founded PV Silicon in 1997 with his partner Dr Friedrich-Wilhelm Schulze. In 2002 he became a member of the Board of PV Crystalox Solar AG where he had responsibility for the German operations including the production and sales of wafers and was appointed as a director of the Company on 21 May 2007. Prior to founding PV Silicon, Dr Aulich worked for Siemens Solar Group. Dr Aulich joined the Central Research Laboratories of Siemens AG in Munich, Germany, in 1974 where he worked in various positions in the field of optical fibre communication and photovoltaics. From 1988 to 1991 he was Managing Director at PV Electric, a joint venture of Siemens Solar GmbH, Germany, and Arco Solar, USA, where he was responsible for the commercialisation of amorphous silicon thin film technology. In 1992 he became Managing Director at Siemens Solar GmbH where he was responsible for technology of thin film and crystalline silicon solar cells. He was Senior Vice President for Technology and Research for the Siemens Solar Group responsible for research and development in thin film and crystalline silicon solar cells as well as for systems application for Germany, USA and Japan.

JOHN SLEEMAN

NON-EXECUTIVE DIRECTOR

Mr Sleeman graduated in physics from the University of Durham. He started his career at Deloitte & Touche in 1970 where he qualified as a Chartered Accountant before moving to Samuel Montagu (now part of HSBC Plc) in 1975. During his time at HSBC, Mr Sleeman qualified as a Chartered Banker and held various project finance and corporate finance roles, ending as Managing Director, Head of International Team, Corporate Finance from 2000 to 2003. During that time Mr Sleeman held directorships with a number of companies within the HSBC Group. After that, he was an adviser to Emerging Markets Group specialising in structured financial solutions and strategic advice. Mr Sleeman was a director of OSJC Power Machines and JSC Open Investments during the year. He is a partner of S. P. Angel Corporate Finance LLP, an appointed representative of S.P. Angel & Co. Limited, which is authorised by the FSA and is a member of the London Stock Exchange.

DR IAIN DORRITY

CHIEF EXECUTIVE OFFICER

Dr Dorrity has a PhD in Physical Chemistry from Exeter University. Dr Dorrity joined Crystalox in 1986 and became responsible for sales and marketing in 1988. He was a member of the MBO team that acquired the Crystalox business in 1994 and was appointed to the Boards of both Crystalox Limited and Crystalox Solar Limited at that time. Subsequently following the merger of PV Silicon and Crystalox he became a member of the management Board of PV Crystalox Solar AG in 2002 and a Director of the Company on its formation in December 2006. Dr. Dorrity has over 25 years' experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox Dr Dorrity spent eight years working in research and in industry with General Electric Company.

DR PETER J. FINNEGAN (DBA, MBA, FCMA)

CHIEF FINANCIAL OFFICER

Dr Finnegan has a Doctorate in Corporate Finance from Henley Management College, an MBA from Manchester Business School and is a Fellow of the Chartered Institute of Management Accountants. Dr. Finnegan became Company Secretary of Crystalox in 1985 whilst he was Financial Director of its holding company Elkem (Holdings) Limited, and was appointed to the Board of both Crystalox Solar Limited and Crystalox Limited in 1994. He was appointed as a Director of the Company on its formation in December 2006. Dr Finnegan has overall Group responsibility for finance, accounting, planning, financial control, legal matters and investor relations. Prior to joining the Group he worked for a number of large international manufacturing companies in various positions including Chief Accountant, Company Secretary and Financial Director.

ADVISORS

COMPANY NUMBER

06019466

REGISTERED OFFICE

Brook House
174 Milton Park
Abingdon
Oxfordshire OX14 4SE

DIRECTORS

Maarten Henderson (Chairman)
Dr Hubert Aulich
Dr Iain Dorrity
Dr Peter Finnegan
John Sleeman

COMPANY SECRETARY

Dr Peter Finnegan

INDEPENDENT AUDITOR

GRANT THORNTON UK LLP
Registered Auditor
Chartered Accountants
1 Westminster Way
Oxford OX2 0PZ

BANKERS

NATIONAL WESTMINSTER BANK PLC
Thames Valley Corporate Office
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

CORPORATE ADVISORS

J P MORGAN CAZENOVE
20 Moorgate
London EC2R 6DA

REGISTRARS

EQUINITY REGISTRARS
The Causeway
Worthing
West Sussex BN99 9DA

SOLICITORS

NORTON ROSE LLP
3 More London Riverside
London EC2A 2HA

DIRECTORS' REPORT

The directors are pleased to present the Annual Report together with the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the production and supply of multicrystalline silicon wafers to the worldwide photovoltaic market. The Group supplies multicrystalline silicon wafers to some of the major photovoltaic cell makers in the world. The Chairman's Statement and Business Review contain a review of these activities and comments on the future outlook.

RESULTS FOR THE YEAR

The Consolidated Income Statement for the year ended 31 December 2007 is shown on page 26. The movement in the Group reserves during the year is shown on page 28 and segmental information is shown in note 8 on page 43.

PROPOSED DIVIDEND

The directors have proposed a final ordinary dividend in respect of the current financial year of €0.025 per share. This has not been included within creditors as it was not approved before the year end.

No dividends were paid during the year (2006: €nil).

BUSINESS REVIEW

The Group is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2007 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group ('Business Review'). The information that fulfils the requirements of the Business Review can be found on pages 6 to 11. The Business Review also includes details of expected future developments in the business of the Group.

Details of any significant developments since the balance sheet date are contained in note 34 to the Group financial statements.

SUMMARY OF KEY PERFORMANCE INDICATORS

The Group monitors the performance of each of its business units through detailed monthly operational and financial reporting, with comparisons to plan. Updated business forecasts are regularly made. In addition, the Group maintains regular reviews and dialogue with each of the Group's operational business units. At Board level, the most important key performance measures are:

- megawatts peak output equivalent from wafers produced;
- earnings before interest and tax (EBIT) calculated excluding non-recurring costs (for instance IPO costs and EBT grants);
- free cash flow, defined as the net cash flow of the Group before the payment or receipt of interest and distributions to shareholders;
- underlying operating profit and operating costs as a percentage of sales (operating return on sales) calculated excluding non-recurring costs (for instance IPO costs and EBT grants); and
- earnings per share.

Comparative performance in the current year and prior year is summarised as follows:

	2007 **€**	2006 €
Megawatt peak output equivalent (as above)	**190**	215
EBIT as defined above (Euro million)	**73.9**	48.3
Free cash flow (Euro million)	**36.1**	12.2
Operating return on sales	**28.1%**	19.9%
Earnings per share (Euro cents)	**12.0**	8.4

FUTURE DEVELOPMENTS FOR THE BUSINESS/FUTURE OUTLOOK

The Board's assessment and evaluation of future development and the future outlook for the business is discussed in the Business Review which can be found on pages 6 to 11.

PRINCIPAL RISKS AND UNCERTAINTIES

Our strategy for achieving consistent and sustainable growth and margins in a changing economic environment is to manage the way we operate in different international markets. The Group mitigation strategy includes spreading market risks to achieve an acceptable balance of revenue earned from different geographic markets and adopting an effective natural hedging position by sourcing raw materials and other direct materials or services (where possible) in the same currencies as sales revenues are derived. The Group's strong natural hedging position means that the Group exposure to foreign currencies is limited.

The Group focuses on supplying top tier customers in the photovoltaic industry. The industry is dominated by a small number of major producers of solar cells and larger number of smaller cell manufacturers. Accordingly, by concentrating on the larger well established customers, there is some concentration of customer credit risk.

The Group currently holds cash deposits in various currencies which exposes it to interest rate risk. However, these currencies are generally held against future fixed capital and working capital expenditure to expand the business. The Group had net borrowings in Japanese Yen on 31 December 2007 and these borrowings expose the Group to the risk of a significant increase in the Japanese Yen interest rate. However, the Group's strong Japanese Yen cash inflows mean that these borrowings could be repaid within a twelve month timescale.

FINANCIAL INSTRUMENTS

Financial instruments comprise borrowings, internal cash resources, trade debtors and trade creditors arising from normal trading. The vast majority of the Group's borrowings are in Japan and are utilised to finance the Group's working capital requirement in respect of its business activity in Japan. However, the Group repaid ¥3 billion (€18.1 million) in respect of the Japanese Yen loans in January 2008. The Group's current cash reserves and borrowing facilities are adequate to comfortably finance the business for the foreseeable future.

ENVIRONMENTAL POLICY

The Group is a major producer of silicon wafers for incorporation into solar cells that will ultimately be used for the production of electricity from sunlight. Accordingly, the Group is focused on its environmental responsibilities. It is the Group's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests while continuing to produce high quality products to its customers' requirements.

It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities. It is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

The Group supports long term strategies to minimise, reuse and recycle packaging wherever possible thereby enhancing its environmental credentials.

DIRECTORS

The names of the directors who served during any part of the period from 1 January 2007 to 31 December 2007 are:

Maarten Henderson *	Chairman Chairman and member of remuneration committee Chairman and member of nomination committee Member of audit committee
Dr Iain Dorrity	Chief Executive Officer and Executive Director
Dr Peter Finnegan	Chief Financial Officer and Executive Director
Dr Hubert Aulich	Executive Director, German Operations
John Sleeman *	Non-executive Director Chairman and member of audit committee Member of remuneration and nomination committees

* Non-executive directors.

Biographical details of the directors are set out on pages 12 to 13.

Dr Iain Dorrity and Dr Peter Finnegan served throughout the year. Dr Hubert Aulich, Maarten Henderson and John Sleeman were appointed on 21 May 2007.

BENEFICIAL INTERESTS IN SIGNIFICANT CONTRACTS

None of the directors had a material interest in any contract of significance to which the Group or any of its subsidiaries was party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 11 March 2008 the Group had been notified, or is aware, of the following shareholdings amounting to 3% or more of the issued ordinary share capital of the Company:

	Number of ordinary shares	% of issues ordinary shares
Dorrity I	44,085,974	10.58%
Garrard B	41,881,642	10.05%
Oldham S	26,718,750	6.41%
Hesford E	19,037,110	4.57%
Young G	19,037,110	4.57%
Schroder Investment Management Ltd	18,708,680	4.49%
Andreae-Renz S	15,191,377	3.65%
Greaves Trust	14,695,324	3.53%
Standard Life Investments	13,009,463	3.12%

DIRECTORS' INTERESTS

Listed below are the directors at 31 December 2007 together with their notifiable interests in the share capital of the Company:

Maarten Henderson	Nil
Iain A Dorrity	44,085,974
Hubert A Aulich	11,355,469
Peter J Finnegan	2,671,912
John K Sleeman	Nil

GOING CONCERN

The directors are confident, after making appropriate enquiries at the time of approving the financial statements, that the Company and the Group have adequate resources to continue in operation for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the accounts.

POLICY ON THE PAYMENT OF CREDITORS

Individual companies within the Group operate different creditor payment policies. In Germany, standard terms are ten days with 3% discount or 30 days net; in the UK and Japan standard terms are an average of 45 days.

EMPLOYEES

The Group's policy is to provide equal opportunities to all existing and prospective employees. The Group recognises that its operation and reputation depends upon the skill and effectiveness of its employees and is committed to the fair and equitable treatment of all its employees and specifically to prohibit discrimination on the grounds of age, sex, race, nationality or ethnic origin.

DISABLED EMPLOYEES

It is the Group's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons. In the event that a person became disabled he or she would continue to be employed, wherever possible, in the same job. If the degree of disablement made this impractical, every effort would be made to find suitable alternative employment and to give any appropriate training. The Group's policy on training and career progression applies equally to everyone within the Group whether or not disabled.

DONATIONS

During the period under review the Group made no charitable donations (2006: €nil). It is the Group's policy not to make political donations and no political donations were made in the period (2006: €nil).

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

Grant Thornton UK LLP were appointed as auditor during the year to fill a casual vacancy in accordance with Section 338(1) of the Companies Act 1985.

A resolution to reappoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

By order of the Board

DR PETER FINNEGAN
GROUP SECRETARY
2 APRIL 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in operational existence for the foreseeable future.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are prepared in accordance with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors confirm that the accounting policies adopted in the preparation of the financial statements are appropriate to the Group, have been consistently applied and are supported by reasonable and prudent judgements and estimates. All applicable accounting standards have been followed.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

DR PETER FINNEGAN
GROUP SECRETARY
2 APRIL 2008

CORPORATE GOVERNANCE

APPLICATION OF PRINCIPLES

The Group has applied the principles of good governance contained in the Combined Code 2006 (Principles of Good Governance and Code of Best Practice) except as noted in the compliance statement below.

COMPLIANCE

The directors consider that the Company complied throughout the period ending 31 December 2007 with the provisions for companies set out in Section 1 of the Combined Code to the extent that they apply to the Company and that are contained in the rules of the UK Listing Authority, except as follows in this section 'Compliance'. The directors recognise that the Company having three executive directors and two non-executive directors does not have a majority of non-executive directors. As the Chairman is a non-executive director and there is a strong and independent non-executive presence on the Board, the directors at present consider the current structure appropriate having regard to the size of the organisational structure of the Group and its current stage of development. Mr Henderson is the recognised Senior Independent Director to whom concerns can be conveyed.

BOARD EFFECTIVENESS

The Board comprises the non-executive Chairman, one other non-executive director and three executive directors. Brief biographical details of all members of the Board are set out on pages 12 to 13 and further information concerning the appointments are set out in the Directors' Report.

The Board is responsible for leading and controlling the Group activities and, in particular:

- approving Group objectives, strategy and policies;
- business planning;
- substantial transactions, contracts and commitments;
- review of performance;
- risk assessment;
- dividends; and
- senior appointments.

The Board meets at least ten times per annum. The non-executive directors were appointed with effect on 21 May 2007. There is a schedule of matters specifically reserved for its decision at Board meetings. Executive directors are responsible for the implementation of strategy and policies and the day-to-day decision-making and administration.

During 2007 the number of Board and committee meetings with individual attendances was as follows:

	Board	Audit	Remuneration	Nomination
Maarten Henderson */**	11	2	2	1
Hubert A Aulich **	11	1	1	–
Iain A Dorrity	15	2	2	1
Peter J Finnegan	15	2	2	1
John K Sleeman */**	11	2	2	1

* Non-executive directors.

** Appointed on 21 May 2007.

BOARD EFFECTIVENESS CONTINUED

The Board receives appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Group Secretary and independent professionals at the Group's expense. Appropriate training is available for new directors and other directors as necessary.

The independent non-executive directors bring additional experience and knowledge and are independent of management and any business or other relationship that could interfere with the exercise of their independent judgement. This provides a balance whereby an individual or small Group cannot dominate the Board's decision-making.

The executive directors have entered into contracts with the Company that may be terminated with twelve months' notice by either party and the non-executive directors have entered into arrangement for an initial three year period from the date of listing on the London Stock Exchange subject to six months' notice in writing from either party. The Board has established a separate nomination committee, comprising the non-executive directors responsible for making recommendations for appointments to the Board and also senior management appointments.

Formal procedures appropriate to the size of the business are in place for performance evaluation of the Board and its committees. They include objective-setting and review with the use of an external facilitator.

DIRECTORS' REMUNERATION

The Directors' Remuneration Report is on pages 21 to 23. It sets out the Group's policy and the full details of all elements of the remuneration package of each individual director.

RELATIONS WITH SHAREHOLDERS

The Board values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. The Annual General Meeting is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The chairmen of the audit and remuneration committees are available to answer relevant questions. Separate resolutions are proposed on each substantial issue so that they can be given proper consideration and there is a resolution to receive and consider the Annual Report and financial statements. The Group counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

ACCOUNTABILITY AND AUDIT

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and other price-sensitive public reports, reports to regulators and information required to be presented by statute. The responsibilities of the directors as regards the financial statements are described on page 17, and that of the auditor on page 25. A statement on going concern appears on page 16.

The audit committee of the Board comprises all the non-executive directors and is chaired by John Sleeman. The terms of reference of the audit committee were approved on 22 August 2007 and copies are available to members of the public upon request. The committee meets not less than three times a year (because the non-executives were not appointed until 21 May 2007, the committee only met twice in that year) to review the scope and findings of the auditor's work on audit and non-audit issues, the Interim and Annual Reports prior to their publication, the application of the Group's accounting policies and any changes to the financial reporting requirements. The audit committee also plays an important part in reviewing the Group's systems of internal control which are described below.

The audit committee reviews the terms of engagement with the external auditor and ensures that the external auditor is independent via the segregation of audit-related work from other accounting functions and has referenced fees with similar auditors. The audit committee has primary responsibility for the appointment of the external auditor.

INTERNAL CONTROL

The Board is responsible for establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The system of internal control is designed to meet the particular needs of the Group and the risks to which it is exposed, and by its very nature provide reasonable, but not absolute assurance against material misstatement or loss. The internal control system was in place for the period under review up to the date of approving the accounts. There is an ongoing process to identify, evaluate and manage the risks facing the business. The entire system of internal control was reviewed during the year. This review has been undertaken in accordance with guidance published by The Institute of Chartered Accountants in England and Wales.

The key procedures, which exist to provide effective internal control, are as follows:

- clear limits of authority;
- annual revenue, cash flow and capital forecasts, reviewed regularly during the year, monthly monitoring of management accounts and capital expenditure reported to the Board, quarterly and half year revenue comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for capital expenditure and disposals, including defined levels of authority;
- monthly meetings of the executive directors to authorise significant transactions;
- an audit committee, which approves audit plans and published financial information and reviews reports from external auditors arising from the audit and dealing with significant control matters raised;
- regular Board meetings to continuously monitor any areas of concern;
- annual review of risks and internal controls; and
- annual review of compliance with the Combined Code.

The Board has considered the need for an internal audit function but has decided that the size of the Group does not justify it at present. However, it will keep the decision under annual review.

The Board has reviewed the operation and effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management for the financial year ended 31 December 2007 and the period up to date of approval of the financial statements.

By order of the Board

DR PETER FINNEGAN
GROUP SECRETARY
2 APRIL 2008

DIRECTORS' REMUNERATION REPORT

This report contains the information required by the Companies Act 1985 and the relevant parts of the Listing Rules of the UK Listing Authority and Schedule B to the Combined Code on Corporate Governance.

The information contained in this report is not subject to audit except where specified.

COMPOSITION OF THE REMUNERATION COMMITTEE

The members of the committee are Mr Maarten Henderson and Mr John Sleeman. Neither member of the committee has any personal financial interest in the matters to be decided, potential conflicts of interest nor any day-to-day involvement in running the business.

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

The Group has established a remuneration committee which is constituted in accordance with the recommendations of the Combined Code. The members of the committee during 2007 were Mr Maarten Henderson and Mr John Sleeman who are both independent non-executive directors. The committee has discretion to decide who, other than its members, shall attend its meetings. In this respect the executive directors may be invited to attend meetings as considered appropriate to make proposals and discuss the performance of directors, subsidiary company directors and others as necessary. No director takes part in discussions relating to their own remuneration and benefits. The committee met twice in 2007. However, no changes have yet been made to the remuneration of directors as reported in the listing prospectus of the Group at the time of the IPO. The committee makes recommendations to the Board.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Executive remuneration packages are designed to attract, motivate and retain directors of the highest calibre needed to maintain the Group's position as a market leader and to reward them for enhancing shareholder value. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the committee.

There are five elements of the remuneration package for executive directors and senior management:

- basic annual salary;
- benefits-in-kind;
- annual bonus payments, which cannot exceed 50% of salary;
- share incentives; and
- pension arrangements.

The Group's policy is that a substantial proportion of the remuneration of executive directors should be performance related. Executive directors may earn annual incentive payments of up to 50% of their basic salary.

BASIC SALARY

An executive director's basic salary is reviewed by the committee prior to 1 July, which is the start of the salary year and when an individual changes position or responsibility. In deciding appropriate remuneration levels, the committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group of companies of similar size and complexity. The present incumbents were appointed internally and their current packages were agreed by contracts entered into on 21 May 2007 in readiness for transition to public status. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

BENEFITS-IN-KIND

Executive directors receive either a Company expensed motor vehicle commensurate with their seniority or a monthly car allowance. All other benefits-in-kind are available to all employees dependent upon local conditions in their country of employment.

ANNUAL BONUS PAYMENT

An executive director may receive by way of further remuneration a bonus calculated in accordance with Schedule 1 of their contract of service. There is no contractual right to receive a bonus until it is declared in writing in respect of the financial year to which it relates and such bonus whether declared or not shall not be payable unless the executive director is employed on the date of payment. Schedule 1 of the contracts of service states that a bonus of up to a maximum of 50% of the basic salary (subject to deductions for tax and national insurance) as set out in Clause 6 of this Agreement will be paid to the executive in June each year subject to the Group having achieved growth in its earnings per share over the previous financial year according to the following formula:

Earnings per share growth % over prior year	Bonus % of salary
>10%	50%
>9% to 10%	45%
>8% to 9%	40%
>7% to 8%	35%
>6% to 7%	30%
>5% to 6%	25%
>4% to 5%	20%
>3% to 4%	15%
>2% to 3%	10%
>1% to 2%	5%
>0% to 1%	0%

PENSION ARRANGEMENTS

The executive directors' contracts of service set out their basic salaries from which contributions can be made into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence. Accordingly, pension contributions made by the Group are included in the basic salary set out in the service contracts.

DIRECTORS' REMUNERATION (AUDITED)

	Fees/basic salary €	Benefits-in-kind €	Annual bonuses €	**Total 2007 €**	Total 2006 €
Maarten Henderson	67,852	–	–	**67,852**	–
Hubert A Aulich	175,884	6,366	14,487	**196,737**	205,034
Iain A Dorrity	220,887	12,777	87,724	**321,388**	212,883
Peter J Finnegan	231,147	1,002	87,724	**319,873**	211,345
John K Sleeman	31,983	–	–	**31,983**	–
	727,753	20,145	189,935	**937,833**	629,262

DIRECTORS' PENSION (AUDITED)

	Contributions to defined contribution scheme €	Contributions to defined benefit scheme €	**Total 2007 €**	Total 2006 €
Maarten Henderson	–	–	**–**	–
Hubert A Aulich	4,756	58,789	**63,545**	54,563
Iain A Dorrity	9,819	–	**9,819**	7,133
Peter J Finnegan	10,265	–	**10,265**	7,281
John K Sleeman	–	–	**–**	–
	24,840	58,789	**83,629**	68,977

DIRECTORS' SHARE GRANTS (AUDITED)

	Value 2007 €	Value 2006 €
Maarten Henderson	**–**	–
Hubert A Aulich	**–**	–
Iain A Dorrity	**–**	–
Peter J Finnegan	**2,851,017**	–
John K Sleeman	**–**	–
	2,851,017	–

On 19 January 75,000 ordinary shares of £1 were granted at the market price on that date of £25 per share. The total value of the grant was therefore £1,950,000 or €2,851,017. On 21 May 2007 each ordinary share of £1 in the capital of the Company was sub-divided into 50 ordinary shares of 2 pence each.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

All the non-executive directors have specific terms of engagement and their remuneration is determined by the Board based on independent surveys of fees paid to non-executive directors of similar companies. The basic fees paid in 2007 to the non-executive Chairman was €67,852 and to the non-executive director €31,983. Non-executive directors are not eligible to join the Company's share schemes or pension schemes.

MAARTEN HENDERSON
CHAIRMAN OF THE REMUNERATION COMMITTEE
2 APRIL 2008

CONSOLIDATED FINANCIAL STATEMENTS

25 REPORT OF THE INDEPENDENT AUDITOR
26 CONSOLIDATED INCOME STATEMENT
27 CONSOLIDATED BALANCE SHEET
28 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
29 CONSOLIDATED CASH FLOW STATEMENT
30 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

We have audited the Group financial statements of PV Crystalox PLC for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders' Equity, principal accounting policies and notes 1 to 34. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of PV Crystalox Solar PLC for the period ended 31 December 2007 and the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Corporate Governance Statement, the Report of the Directors, the unaudited part of the Directors' Remuneration Report and the unaudited supplementary information detailed in the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

OPINION

In our opinion:

➔ the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;

➔ the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

➔ the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
2 APRIL 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 €'000	2006 €'000
Revenues	1	**263,444**	242,366
Other income	2	**1,765**	1,380
Cost of material and services			
Cost of material	3	**(163,703)**	(167,204)
Cost of services	3	**(6,198)**	(7,136)
Personnel expenses			
Wages and salaries	4	**(8,151)**	(6,932)
Social security costs	4	**(1,103)**	(907)
Pension costs	4	**(391)**	(384)
Employee share schemes	4	**(2,913)**	–
Depreciation on fixed and intangible assets		**(4,670)**	(5,467)
Other expenses	5	**(8,382)**	(6,568)
Costs of initial public offering		**(3,438)**	–
Currency gains and losses		**1,239**	(821)
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		**67,499**	48,327
Interest income		**4,626**	1,625
Interest expense	6	**(1,361)**	(939)
EARNINGS BEFORE TAXES (EBT)		**70,764**	49,013
Income taxes	7	**(23,793)**	(17,419)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**46,971**	31,594
EARNINGS PER SHARE ON CONTINUING ACTIVITIES			
Basic in Euro cents	9	**12.0**	8.4
Diluted in Euro cents	9	**11.9**	8.4

All of the activities of the Group are classed as continuing.

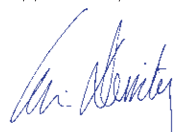
The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 €'000	2006 €'000
Cash and cash equivalents		**147,892**	61,527
Accounts receivable	11	**61,748**	74,874
Inventories	12	**20,653**	13,833
Prepaid expenses and other assets	13	**13,564**	4,618
Current tax assets		**18**	2,240
TOTAL CURRENT ASSETS		**243,875**	157,092
Intangible assets	14	**378**	176
Property, plant and equipment	15	**35,115**	13,967
Other long term assets	16	**4,597**	1,926
Deferred tax asset	17	**2,329**	1,022
TOTAL NON-CURRENT ASSETS		**42,419**	17,091
TOTAL ASSETS		**286,294**	174,183
Loans payable short term	18	**39,619**	53,342
Accounts payable trade	19	**21,747**	15,745
Advance payments received		**–**	722
Accrued expenses	20	**3,632**	3,208
Deferred income current portion	21	**860**	817
Income tax payable	22	**10,855**	9,310
Other current liabilities	23	**931**	1,116
TOTAL CURRENT LIABILITIES		**77,644**	84,260
Loans payable long term		**7**	1,735
Advance payments received	24	**10,000**	–
Accrued expenses		**128**	272
Pension benefit obligation	25	**476**	631
Deferred income less current portion	21	**5,196**	2,861
Deferred tax liability		**280**	267
Other long term liabilities		**1,088**	44
TOTAL NON-CURRENT LIABILITIES		**17,175**	5,810
TOTAL LIABILITIES		**94,819**	90,070
Share capital	26	**12,332**	7,500
Share premium		**75,607**	–
Investment in own shares		**(5,642)**	–
Reverse acquisition reserve		**(3,601)**	–
Retained earnings		**124,559**	77,588
Currency translation adjustment		**(11,780)**	(976)
TOTAL SHAREHOLDERS' EQUITY		**191,475**	84,113
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**286,294**	174,183

The accompanying notes form an integral part of these statements.

Approved by the Board of directors and signed on its behalf by:



DR IAIN DORRITY
2 APRIL 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital €'000	Share premium €'000	Investment in own shares (EBT) €'000	Reverse acquisition reserve €'000	Retained profit €'000	Currency translation adjustment €'000	Total equity €'000
AS OF 1 JANUARY 2007	7,500	–	–	–	77,588	(975)	84,113
Currency translation adjustment						(10,805)	(10,805)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	7,500	–	–	–	77,588	(11,780)	73,308
Net profit					46,971		46,971
Total recognised income and expense for the period	7,500	–	–	–	124,559	(11,780)	120,279
Investment in own shares			(5,642)				(5,642)
Reverse acquisition				(3,601)			(3,601)
Reserve							
Share issue	4,832	75,607					80,439
AS AT 31 DECEMBER 2007	**12,332**	**75,607**	**(5,642)**	**(3,601)**	**124,559**	**(11,780)**	**191,475**
AS OF 1 JANUARY 2006	7,500	–	–	–	45,995	(1,503)	51,991
Currency translation adjustment						528	528
NET INCOME RECOGNISED DIRECTLY IN EQUITY	7,500	–	–	–	45,995	(975)	52,519
Net profit					31,594		31,594
Total recognised income and expense for the period	7,500	–	–	–	77,589	(975)	84,113
AS AT 31 DECEMBER 2007	**7,500**	**–**	**–**	**–**	**77,589**	**(975)**	**84,113**

Further information on equity is presented in note 26.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 €'000	2006 €'000
EARNINGS BEFORE TAXES	**70,764**	49,013
ADJUSTMENTS FOR:		
Interest	**(3,265)**	(686)
Depreciation and amortisation	**4,670**	5,398
Change in pension accruals	**(155)**	(119)
Change in other provisions	**281**	592
Profit/(loss) from the disposal of property, plant and equipment	**15**	(24)
Unrealised gain/(losses) in foreign currency exchange	**81**	1,929
Deferred income	**(975)**	(868)
	71,416	55,235
CHANGES IN WORKING CAPITAL:		
Change in inventories	**(6,820)**	5,606
Decrease/(increase) in trade receivables	**10,457**	(27,746)
Increase in trade payables and advance payments	**15,800**	2,317
Increase in other assets	**(11,617)**	(4,058)
Decrease/(increase) in other liabilities	**859**	(371)
	80,095	30,983
Income taxes paid	**(21,375)**	(16,334)
Interest received	**4,626**	1,625
NET CASH FROM OPERATING ACTIVITIES	**63,346**	16,274
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**36**	30
Proceeds from investment grants and subsidies	**3,353**	1,211
Payments to acquire property, plant and equipment	**(26,070)**	(3,653)
Cash used in investing activities	**(22,681)**	(2,412)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings received	**–**	16,977
Repayment of bank and other borrowings	**(11,764)**	(305)
Repayment Microventure	**(1,620)**	–
Proceeds from IPO	**76,838**	–
Interest paid	**(1,361)**	(939)
Investment in own shares	**(5,642)**	–
NET CASH FLOWS FROM FINANCING ACTIVITIES	**56,451**	15,733
Net change in cash and cash equivalents available	**97,116**	29,595
Effects of foreign exchange rate changes on cash and cash equivalents	**(10,751)**	81
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	**61,527**	31,851
CASH AND EQUIVALENTS AT END OF PERIOD	**147,892**	61,527

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. GROUP ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial information has also been prepared under the historical cost convention except that it has been modified to include financial assets and liabilities (including derivatives) at their fair value through the Income Statement.

PV Crystalox Solar PLC is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 31 December 2007 were approved by the Board of directors on 2 April 2008.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The financial information has been presented in Euros, which is the functional currency. All financial information presented has been rounded to the nearest thousand.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. Estimates and assumptions mainly relate to the useful life of non-current assets, the discounted cash flows used in impairment testing and the establishing of provisions for litigation, pensions and other benefits, taxes, inventory valuations, and guarantees. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. Actual values may vary from the estimates. The estimates and the assumptions are under continuous review.

Critical accounting and valuation policies and methods are those that are both most important to the depiction of the Group's financial position, results of operations and cash flows, and that require the application of subjective and complex judgements, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. The critical accounting policies that we disclose, will not necessarily result in material changes to our financial statements in any given period but rather contain a potential for material change. The main accounting and valuation policies used by the Group are outlined in the following notes. While not all of the significant accounting policies require subjective or complex judgements, the Group considers that the following accounting policies should be considered critical accounting policies.

Property, plant and equipment are amortised over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets will generate revenue. Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may no longer be recoverable.

Although we believe that our estimates of the relevant expected useful lives, our assumptions concerning the business environment and developments in our industry, and our estimations of the discounted future cash flows, are appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges or allowances in the future or to valuation write-backs should the expected trends reverse.

To compute provisions for taxes, estimates have to be applied. These estimates involve assessing the probability that deferred tax assets resulting from deductible temporary differences and tax losses can be utilised to offset taxable income.

The defined benefit plans are partly unfunded and partly funded through pension insurance contracts. Statistical and actuarial methods are used to anticipate future events in calculating the expenses and liabilities related to the plans. These calculations include assumptions about the discount rate, expected return on plan assets and rate of future pension increases. Statistical information such as withdrawal and mortality rates is also used in estimating the expenses and liabilities under the plans. Because of changing market and economic conditions, the expenses and liabilities actually arising from these plans in the future may differ materially from the estimates made on the basis of these actuarial assumptions.

1. GROUP ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 31 December 2007. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The results of any subsidiary sold or acquired are included in the Group Income Statement up to, or from, the date control passes. Unrealised gains on intra-group transactions are eliminated fully on consolidation.

Consolidation is conducted by eliminating the investment in the subsidiary with the parent's share of the net equity of the subsidiary.

The Group owns 100% of the voting rights in Crystalox Japan Kabushiki Kaisha. Minority interests in equity of €43,400 are related to non-redeemable preferred stock, subject to a guaranteed annual dividend payment of €2,000. As the fair value of the resulting dividend liabilities reduces the equity portion to marginal amounts, all minority interest has been reclassified as liabilities. The Group intends to withdraw the preferred stock in the near future.

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair value reflecting their condition at that date. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets. So far no acquisitions have taken place since inception of the Group.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. All inter-group transactions, balances, income and expenses are eliminated upon consolidation.

On 5 January 2007, PV Crystalox Solar PLC became the legal parent group of PV Crystalox Solar AG (and its subsidiary companies) in a share for share transaction. The former PV Crystalox Solar AG shareholders became the shareholders of PV Crystalox Solar PLC. Following the transaction the Group's continuing operations and executive management were those of PV Crystalox Solar AG. Accordingly, the substance of the combination was that PV Crystalox Solar AG acquired PV Crystalox Solar PLC in a reverse acquisition.

The Companies Act 1985 and IFRS would normally require the Group's consolidated accounts to follow the legal form of the business combination. In that case the pre-acquisition results would be those of PV Crystalox Solar PLC and its subsidiary undertakings, which would exclude PV Crystalox Solar AG. The results of PV Crystalox Solar AG would then be included in the Group from 5 January 2007. However, this would portray the combination as an acquisition of PV Crystalox Solar AG by PV Crystalox Solar PLC and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view. The reverse acquisition was accounted for using the equity accounting method.

As a consequence of applying reverse acquisition accounting, the comparative results for the Group for the period ended 31 December 2006 comprise the results of PV Crystalox Solar AG and its subsidiary undertakings, which were prepared under IFRS in the previous year.

1. GROUP ACCOUNTING POLICIES CONTINUED

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

Accounting standards applied for the first time in 2007

In August 2005, the IASB issued the standard IFRS 7 (Financial Instruments: Disclosures), which has been applied for the first time in the current year. This standard specifies the information on financial instruments that is to be provided in the notes to the financial statements. IFRS 7 provides for financial instruments to be grouped into certain categories and specific disclosures to be made for each category, including the significance of the instruments and the nature and extent of the risks associated with them. The new standard has affected the nature and modality of financial instrument disclosures in the financial statements of the Group, but not the recognition or measurement of the instruments. In particular, the consolidated financial statements now feature:

- an explanation of the Group's market risk exposure in regards to its financial instruments;
- a maturity analysis that shows the remaining contractual maturities of financial liabilities; and
- an analysis of trade receivables showing those past due or considered to be impaired.

In January 2006, the IFRIC issued IFRIC 8 (Scope of IFRS 2). The issue addressed in the Interpretation is whether IFRS 2 applies to transactions in which the entity cannot identify specifically some or all of the goods or services received. The application of this interpretation has not had a material impact on the Group's financial position, results of operations or cash flows.

In March 2006, the IFRIC issued IFRIC 9 (Reassessment of Embedded Derivatives). This Interpretation addresses the requirements of IAS 39 (Financial Instruments: Recognition and Measurement) and considers whether the assessment of whether a contract has embedded derivatives should be reassessed throughout the life of the contract. The IFRIC concluded that subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The application of this interpretation has not had a material impact on the Group's financial position, results of operations or cash flows.

In July 2006, the IFRIC issued IFRIC 10 (Interim Financial Reporting and Impairment). This interpretation addresses the interaction between the requirements of IAS 34 (Interim Financial Reporting) and the recognition of impairment losses on goodwill under IAS 36 (Impairment of Assets) and investments in equity instruments as well as financial assets carried at cost under IAS 39 (Financial Instruments: Recognition and Measurement). The IFRIC concluded that an entity, which has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment must not be reversed in subsequent financial statements or in annual financial statements. IFRIC 10 has to be applied for annual periods beginning on or after 1 November 2006. The application of this interpretation has not had a material impact on the Group's financial position, results of operations or cash flows.

1. GROUP ACCOUNTING POLICIES CONTINUED

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS CONTINUED

Newly issued accounting standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not yet been applied in preparing these financial statements.

IFRS 8 (Operating Segments) is mandatory for annual periods beginning on or after 1 January 2009 and supersedes the current standard, IAS 14 Segment Reporting. Early application of IFRS 8 has been adopted.

In November 2006, the IFRIC issued IFRIC 11 (IFRS 2 Group and Treasury Share Transactions). The interpretation addresses how to apply IFRS 2 (Share-based Payment) to accounting for share-based payment arrangements involving an entity's own equity instruments. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 has to be applied for annual periods beginning on or after 1 March 2007. The Group is currently evaluating the impact that the application of the interpretation may have on the Group's financial position, results of operation or cash flows.

In November 2006, the IFRIC issued IFRIC 12 (Service Concession Arrangements). Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services – such as roads, airports, prisons and energy and water supply and distribution facilities – to private sector operators. IFRIC 12 has to be applied for annual periods beginning on or after 1 January 2008. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

In June 2007, the IFRIC issued IFRIC 13 (Customer Loyalty Programmes). Customer loyalty programmes are used by entities to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards such as free or discounted goods or services. IFRIC 13 has to be applied for annual periods beginning on or after 1 July 2008. Earlier application is permitted. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction, is effective from January 2008. The Group will apply IFRIC 14 from January 2008, but it is not expected to have any impact on the Group or Company's accounts.

IFRS 3 (Business Combinations) has been revised. The revised standard has to be applied to accounting periods beginning on or after 1 July 2009. Early application is permitted provided that IAS 27 as amended in 2008 (see below) is applied at the same time. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 1 (Presentation of Financial Statements) has been revised to clarify the classification of balance sheet items between current and non-current, and an entity's compliance with IFRS. The revised standard has to be applied to accounting periods beginning on or after 1 January 2009. Earlier application is permitted. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 23 (Borrowing Costs) has been revised so that guidance on effective interest rates is consistent with IAS 39 (Financial Instruments: Recognition and Measurement). The revised standard has to be applied to accounting periods beginning on or after 1 January 2009. Earlier application is permitted. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 27 (Consolidated and Separate Financial Statements) has been revised to extend the application of IAS 39 'Financial Instruments: Recognition and Measurement' to investments in subsidiaries which are classified as held sale in the parent's separate financial statements. The revised standard has to be applied to accounting periods beginning on or after 1 July 2009. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

IAS 32 (Financial Instruments: Presentation) has been amended to provide details of the disclosure required when investments in associates and jointly controlled entities are accounted for at fair value through profit or loss. The amended standard has to be applied to accounting periods beginning on or after 1 January 2009. The Group does not believe that the application of this interpretation will have a material impact on the Group's financial position, results of operations or cash flows.

1. GROUP ACCOUNTING POLICIES CONTINUED

FINANCING STRATEGY AND CAPITAL STRUCTURE

IFRS 7, (Financial Instruments: Disclosures) and the complementary amendment to IAS 1, (Presentation of Financial Statements – Capital Disclosures), introduces new disclosures relating to financial instruments. This does not have any impact on the classification and valuation of the Group financial instruments, or the disclosures relating to taxation and trade and other payables.

We define capital as equity plus cash and our financial strategy in the medium term is to manage a level of debt that balances the risks of the business with optimising the return on equity by the use of gearing. The Group is currently cash positive following our IPO in June 2007, although these funds will be mainly utilised for capital investment in the planned polysilicon plant and in the expansion of our existing business. The only significant borrowings in the Group are in Japan and we take advantage of the relatively low Japanese Yen interest rate to finance our business in Japan. These borrowings have attached covenants and are secured against our Japanese Yen receivables book. The terms of the covenants have been and will continue to be adhered to.

The Japanese receivables book and our ongoing sales in Japanese Yen will continue to generate a strong forward cash inflow and accordingly we are not carrying exchange rate risk in respect of these borrowings.

The weighted average rate of interest in 2007 was 1.5% (2006: 1.5%) and our gearing ratio was 9% (2006: 7%).

INTANGIBLE ASSETS

Intangible assets are capitalised at cost and amortised over a useful life of three to five years. Amortisation of intangible assets is recorded under 'Depreciation and amortisation' in the Income Statement.

Acquired computer software licences are capitalised at the costs that were necessary to purchase the licences and make the software usable.

The capitalised costs are written down using the straight-line method over the expected economic life of the patents (five years) or software (three to five years).

INTERNALLY-GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the Income Statement as an expense when incurred.

Internal development expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 (Intangible Assets). Technical and other uncertainties generally have the effect that such criteria are not met. However, expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of services and materials, direct labour and an appropriate proportion of overheads. Otherwise, development expenditure is recognised in the Income Statement as an expense as occurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Intangible assets relating to products in development (both internally and externally acquired) are subject to impairment testing upon indication of impairment. Any impairment losses are written off immediately to the Income Statement.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit of the specific asset to which it relates. All other expenditure is expensed as it occurs.

Only patents have been capitalised as development costs to date, as the future utilisation of other developments is not sufficiently determinable or certain.

1. GROUP ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or construction cost, net of depreciation and any provision for impairment. No interest or depreciation is charged during the period of construction. The cost of own work capitalised is comprised of direct costs of material and manufacturing and directly attributable costs of manufacturing overheads. The capitalised costs are written down using the straight-line method.

The Group's policy is to write off the difference between the cost of each tangible fixed asset and its residual value systematically over its estimated useful life. Reviews of the estimated remaining lives and residual values of individual productive assets are made annually, taking commercial and technological obsolescence as well as normal wear and tear into account.

The total useful lives range from approximately 25 years for buildings, five to ten years for plant and equipment, up to ten years for fixtures and fittings and four years for motor vehicles. No depreciation is provided on freehold land. All tangible fixed assets are reviewed for impairment at each balance sheet date or upon existence of indications that the carrying value may not be recoverable.

The gain or loss arising on disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Income Statement.

IMPAIRMENT

The carrying amount of the Group's assets, other than inventories and deferred tax assets, are subject to impairment testing upon indication of impairment and are reviewed annually.

If any such indication exists, the asset's recoverable amount is estimated. 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 fair value, reflecting market conditions less costs of disposal, and value in use based on an internal discounted cash flow evaluation.

LEASED ASSETS

The economic ownership of a leased asset is transferred to the lessee if the lessee bears all the risks and rewards related to the ownership of the leased asset in a material fashion.

Rentals under operating leases are charged to the Income Statement on a straight-line basis over the lease term. Lease incentives are spread over the total period of the lease.

The obligations from lease contracts are disclosed among financial obligations. For the reporting period, no assets were recorded under finance leases.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months. Cash and cash equivalents are valued at their nominal value.

1. GROUP ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recorded initially at fair value net of transaction costs, if changes in value are not charged directly to the Income Statement. Subsequent measurement depends on the designation of the instrument, as follows:

- fixed deposits, generally funds held with banks and short term borrowings and overdrafts are classified as receivables and loans and held at amortised cost;
- derivatives, if any, comprising interest rate swaps and foreign exchange contracts, are classified as held for trading. They are included at fair value, upon the advice of the local bank;
- long term loans are held at amortised cost;
- non-interest bearing trade receivables are initially recorded at fair value and subsequently valued at amortised cost, less provisions for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement; and
- trade payables are not interest bearing and are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

Changes in the fair value relating to all these financial instruments are treated as follows:

- exchange rate losses and impairments are recognised in the Income Statement. All other changes in fair value are taken to reserves. On disposal of the related asset, the accumulated changes in fair value recorded in reserves are included in the gain or loss recorded in the Income Statement.

Interest and other income resulting from financial assets are recognised in the Income Statement when receivable, regardless of how the related carrying amount of the financial assets is measured.

TRADE RECEIVABLES

Trade receivables are initially recorded at fair value and subsequently valued at amortised cost in compliance with the effective interest method, less impairment. Impairment of trade receivables is recorded if there are objective indicators that suggest that the debts are not fully recoverable, or that the fair value of the receivable is impaired at the balance sheet date.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value.

Acquisition costs for raw materials usually are determined by the weighted average method. For finished goods and work in progress, cost of production includes directly attributable costs for material and manufacturing and an attributable proportion of manufacturing overhead expenses (including depreciation) based on normal levels of activity. Selling expenses and other overhead expenses are excluded. Interest expenses are expensed as incurred and therefore not included. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Due to the current market situation, no significant valuation allowances were necessary.

1. GROUP ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES

Financial liabilities are valued at their first inclusion in the financial statements at their fair value, less transaction costs. In subsequent periods, they are measured at amortised cost. The transaction costs are carried as an expense using the effective interest method over the term of the respective financial liability. Non-current financial liabilities are charged with a variable interest rate in accordance with the terms of the relevant agreements. Due to the variable interest rate charged on financial liabilities, the amortised cost corresponds to the fair value. Loans payable are classified as current liabilities, provided the Group does not have the unconditional right to postpone paying off the liability until a date at least twelve months after the balance sheet date.

INCOME TAXES

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. In accordance with IFRS, the expected future tax credits from the utilisation of tax losses carry forwards are also recognised on the basis that there are considered to be sufficient future profits.

Deferred tax assets and liabilities are calculated at local tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted by the balance sheet date.

PUBLIC GRANTS AND SUBSIDIES

As the German operations are located in a region designated for economic development, the Group receives both investment subsidies and investment grants. Government grants and subsidies relating to capital expenditure are credited to the "Deferred income" account and are released to the Income Statement by equal annual instalments over the expected useful lives of the relevant assets under "Other income".

Government grants of a revenue nature, mainly for research and development purposes, are credited to the Income Statement in the same period as the related expenditure. All required conditions of these grants have been and will continue to be met.

PROVISIONS

Provisions are formed where a third-party obligation exists, which will lead to a probable future outflow of resources and where this outflow can be reliably estimated. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

If a provision is not considered necessary because a future outflow of resources is only considered possible (and not probable), the corresponding obligations are reported as contingent liabilities. Contingent liabilities are determined at the present value of the expected outflow of resources.

Provisions include both provisions and accruals.

CONTINGENT LIABILITIES

Provisions are made for legal disputes where there is an obligation at the balance sheet date, an adverse outcome is probable and associated costs can be estimated reliably. Where no obligation is present at the balance sheet date no provision is made, although the contingent liability will be disclosed in a note.

1. GROUP ACCOUNTING POLICIES CONTINUED

REVENUE RECOGNITION

Revenue is recognised when the significant risks and rewards of ownership have been transferred to a third party. Revenues exclude inter-group sales and value-added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied.

The Group has outsourced some elements of production to external companies. In cases in which the Group retains power of disposal over the product or product element, a sale is only recognised under IFRS when the final product is sold. The final product is deemed to have been sold when the risks and rewards of ownership have been transferred to a third party.

The Group has two sales segments; Silicon Products and Trading and Equipment. These are defined as follows:

The Silicon Products segment consists of silicon ingots and wafers produced by Group companies and sold to solar cell manufacturers. This segment is the core business of the Group.

The Trading & Equipment segment is mainly the sourcing of silicon ingots from a key supplier to the Group and the onwards supply of these ingots to a major customer. This is done to facilitate these two key relationships and is not a long term activity of the Group. In addition, the Trading & Equipment segment includes a relatively small amount of spare parts manufactured by the Group. These sales of spare parts are made to customers that operate equipment that had been built by the Group in the past. The Group no longer supplies crystal growth equipment and accordingly the sale of spare parts is expected to fall over the coming years.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in Euros, which is the presentational currency of the Group. Assets and liabilities of foreign operations are translated to Euros at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into Euros at the average foreign exchange rates of the year that the transactions occurred in.

Transactions of the included entities in foreign currencies are translated into the functional currency of the respective entity at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Euros at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on transactions are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated to Euros at foreign exchange rates ruling at the date the fair value was determined.

Exchange gains and losses on short term foreign currency borrowings and deposits are shown as such and taken to operating profit. In the consolidated financial statements exchange rate differences arising on consolidation of the net investments in subsidiaries together with those on relevant foreign currency loans are taken directly to the “Currency translation adjustment” in equity.

INTEREST INCOME AND EXPENSES

Net financing costs are comprised interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and gains, and any gains and losses on hedging instruments are recognised in the Income Statement.

Interest income is recognised in the Income Statement as it accrues, using the effective interest method.

Dividend income is recognised in the Income Statement on the date is has been received.

The interest expense component of finance lease payments is recognised in the Income Statement using the effective interest rate method.

1. GROUP ACCOUNTING POLICIES CONTINUED

SEGMENT REPORTING

A business segment is a group of assets and operating activities that provides products or services, which differ in terms of their risks and opportunities from those of other areas of business. A geographical segment provides products or services within a certain economic environment with risks and opportunities different from those in other economic environments.

EMPLOYEE BENEFITS

The Group operate a number of pension schemes. The schemes are generally funded through payments to insurance companies. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity.

The Group therefore has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds at the balance sheet date with a ten year maturity, adjusted for additional term to maturity of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the Income Statement in the period in which they arise.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional to the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 (Share-based payments). The Group issues equity-settled equity-based payments to certain employees. These are measured at their fair value at the date of the grant and are expensed over the vesting period, based, where necessary, on the Group's estimate of the number of shares that will eventually vest, and adjusted for any market based conditions. Grants of shares made during 2007 are not subject to performance criteria and were valued at the date of the grant at market value. Valuations were confirmed by using the Blacks-Scholes Option Pricing Model.

Charges made to the Income Statement in respect of share-based payments are credited to retained earnings.

2. OTHER INCOME

	2007 €'000	2006 €'000
Recognition of accrued grants and subsidies for investments	**975**	796
Research and development grants	**147**	117
Release of accruals and provisions	**8**	38
Other income	**635**	429
	1,765	1,380

The Group has received public subsidies for certain assets that will be recognised over the useful life of the subsidised assets. The Group has received grants for research and development activities.

3. COST OF MATERIAL AND SERVICES

The cost of materials is attributable to the consumption of silicon, ingots, wafers, chemicals and other consumables as well as the purchase of merchandise. Purchased services are allocated to cost of services.

	2007 €'000	2006 €'000
Cost of raw materials, supplies and purchased merchandise	**171,247**	165,110
Cost of purchased services	**6,198**	7,136
Change in unfinished goods	**(7,544)**	2,248
Own work capitalised	**–**	(154)
	169,901	174,340

Own work capitalised relates to the construction of production equipment including in particular crystallisation systems and outer diameter saws.

The cost of materials ratio (cost of materials including changes in inventories and own work capitalised as a percentage of the aggregate operating performance) is 64% (2006: 72%).

4. PERSONNEL EXPENSES

	2007 €'000	2006 €'000
Wages and salaries	**8,151**	6,932
Social securities	**1,103**	907
Appropriation to pension accruals	**85**	112
Early retirement settlements and pay	**12**	10
Contributions to pension plans	**294**	262
Employee Share Schemes	**2,913**	–
	12,558	8,223

The Group employed an average of 215 employees during the year ended 31 December 2007 (2006: 203).

	2007 Number	2006 Number
Germany	**126**	115
United Kingdom	**85**	84
Japan	**4**	4
	215	203

The remuneration of the Board of directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report on pages 21 to 23.

5. OTHER EXPENSES

	2007 €'000	2006 €'000
Property rental and rates	**2,151**	1,855
Repairs and maintenance	**867**	798
Contribution to supply costs	**382**	–
Selling expenses	**478**	670
Technical consulting, research and development	**611**	662
Outside professional services	**1,276**	540
Insurance premiums	**545**	394
Travel and advertising expenses	**518**	371
Other	**1,554**	1,278
	8,382	6,568

Most of the land and buildings used by the Group are rented. The contracts have durations of up to ten years. In some cases there are options to extend the rental period. However, in readiness for the construction of the polysilicon plant, the Group purchased, in 2007, land with an area of approximately 31,000m^2 in the Chemical Park at Bitterfield in Germany.

Selling expenses mainly include delivery costs and warranty provisions.

Technical consulting and research and development costs relate to the expenditure in connection with silicon wafers and ingots. Also included are preliminary costs relating to plans for a plant to produce solar silicon feedstock.

In addition to those disclosed above, the Group undertakes considerable research and development in the field of continuous production process optimisation and improvement and adaptation of products to market requirements. These costs are an integral part of a highly technical production process.

The directors have estimated on the basis of directly attributable costs and a general proportion of production costs that the cost of research and development is approximately €4,350,000 for the year ended 31 December 2007 (2006: €4,100,000).

Included within other expenses are the following amounts which were paid to the Group's auditor:

	For the year ended 31 December	
	2007 €'000	2006 €'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**88**	65
Plc audit costs	**18**	–
Other services pursuant to legislation	**96**	143
The audit of the Company's subsidiaries pursuant to legislation	**102**	65
Tax services	**24**	26
	328	299

6. INTEREST EXPENSES

Interest expenses mainly include interest payments on short term borrowings and working capital.

7. INCOME TAXES

Tax expenses can be broken down as follows:

	For the year ended 31 December	
	2007 €'000	2006 €'000
Income taxes in the United Kingdom	**15,900**	8,121
Income taxes in Germany	**6,784**	6,893
Income taxes in Japan	**2,458**	2,176
INCOME TAXES TOTAL	**25,142**	17,190
Deferred taxes in the United Kingdom	**(330)**	297
Deferred taxes in Germany	**(92)**	466
Deferred taxes in Japan	**(927)**	60
DEFERRED TAXES TOTAL	**(1,349)**	229
TOTAL TAXES	**23,793**	17,419

Income taxes include taxes on income paid or due in the individual countries as well as deferred taxes. Deferred taxes are calculated on the basis of temporary differences between the carrying amounts of assets and liabilities in the IFRS financial statements and those carried in the tax accounts, affected by consolidation transactions and realisable tax loss carry forwards.

The German corporation tax rate in 2007 and 2006 was 25% plus the solidarity surcharge of 5.5% of corporation tax. This resulted in an effective corporation tax rate of 26.375%. The effective trade income tax amounted to 16.67%. Taking into account the deductibility of trade income tax from corporation tax, the total tax rate for the German companies was 38.65%. The total tax rate of Crystalox Limited in the UK was 30%, and the total tax rate in Japan was 42.05%. These rates are always based on the legal regulations applicable or adopted at the balance sheet date.

The following table shows the tax reconciliation account of the tax expense expected in the respective financial year and the actual tax expense reported.

	2007 €'000	2006 €'000
PROFIT BEFORE TAX	**70,764**	49,013
Expected income tax expense	**23,505**	16,749
Taxation for inter-company dividends	**–**	696
Tax reduction due to non-taxable income	**(202)**	(190)
Tax on non-deductible expenses	**2,243**	433
Use of losses brought forward	**–**	(465)
Adjustments to tax charge in respect of prior periods	**(382)**	(43)
Other tax effects	**(22)**	10
TOTAL TAX EXPENSE	**25,142**	17,190
EFFECTIVE TAX RATE	**35.53%**	35.07%

8. SEGMENT REPORTING

The segments are defined on the basis of the internal organisational and management structure and on the internal reporting to the Board. The primary reporting format has defined two business segments since 1 January 2004. A distinction is made between Silicon Products and Trading and Equipment (for crystallisation).

The secondary reporting format is geared towards geographical aspects. These reflect country-specific risks and opportunities.

SEGMENT INFORMATION 2007

	Silicon products €'000	Trading and equipment €'000	Consolidation €'000	Group €'000
Revenue				
External revenues	212,939	50,505	–	263,444
Intercompany revenues	–	1,486	(1,486)	–
Segment results				
Operating result	65,353	907	–	66,260
Net finance cost	4,795	(291)	–	4,504
	70,148	616	–	70,764
Other information				
Assets	267,614	18,680	–	286,294
Liabilities	78,219	16,600	–	94,819
Property, plant and equipment additions	26,282	–	–	26,282
Depreciation charged	4,670	–	–	4,670

	Japan €'000	The rest of Asia €'000	Germany €'000	The rest of Europe €'000	USA €'000	Group €'000
External revenues	163,520	40,093	51,397	4,297	4,137	263,444
Assets	63,021	–	80,818	142,454	–	286,293
Liabilities	53,876	–	26,688	14,254	–	94,819
Other information						
Property, plant and equipment additions	11	–	24,587	1,684	–	26,282
Depreciation charged	10	–	2,460	2,200	–	4,670

Three customers accounted for more than 10% of 2007 Group revenue each and these customers had sales in the year as follows (figures in €'000):

1. Sales 127,018 (Japan 127,018) (Silicon Products 76,513; Trading, Parts and Equipment 50,505);
2. Sales 28,850 (Japan 28,850) (Silicon Products 28,850); and
3. Sales 27,614 (Germany 27,614) (Silicon Products 27,614).

8. SEGMENT REPORTING CONTINUED

SEGMENT INFORMATION 2006

	Silicon products €'000	Trading and equipment €'000	Consolidation €'000	Group €'000
Revenue				
External revenues	185,266	57,100	–	242,366
Intercompany revenues	–	1,954	(1,954)	–
Segment results				
Operating result	47,699	1,448	–	49,147
Net finance cost	51	(185)	–	(134)
	47,750	1,263	–	49,013
Other information				
Assets	149,454	22,489	–	171,943
Liabilities	60,430	20,287	–	80,717
Property, plant and equipment additions	4,162	–	–	4,162
Depreciation charged	5,467	–	–	5,467

	Japan €'000	The rest of Asia €'000	Germany €'000	The rest of Europe €'000	USA €'000	Group €'000
External revenues	161,370	18,261	51,862	2,393	8,480	242,366
Assets	75,097	–	40,639	56,207	–	171,943
Liabilities	(64,654)	–	(11,643)	(4,420)	–	(80,717)
Other information						
Property, plant and equipment additions	19	–	3,953	189	–	4,161
Depreciation charged	20	–	2,164	3,283	–	5,467

Three customers accounted for more than 10% of 2006 Group revenue each and these customers had sales in the year as follows (figures in €'000):

1. Sales 122,097 (Japan 122,097) (Silicon Products 64,997; Trading, Parts and Equipment 57,100);
2. Sales 28,886 (Germany 28,886) (Silicon Products 28,886); and
3. Sales 25,260 (Japan 25,260) (Silicon Products 25,260).

The geographical segments are reflecting the presence of the Group in the most relevant markets of the PV industry.

9. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year (as per the Income Statement) by the weighted average number of shares outstanding during the financial year.

	2007	2006
Basic shares (average)	**392,118,454**	375,000,100
Basic earnings per share (Euro cents)	**12.0**	8.4
Diluted shares (average)	**394,186,193**	375,000,100
Diluted earnings per share (Euro cents)	**11.9**	8.4

Basic shares and diluted shares for this calculation can be reconciled to the number of issued shares, as per note 26, as follows:

SHARES IN ISSUE (AS PER NOTE 26)	416,725,335
41,725,335 New shares not held for 156 days	(17,833,251)
7,125,000 EBT shares held for 347 days	(6,773,630)
WEIGHTED AVERAGE NUMBER OF SHARES FOR BASIC EPS CALCULATION	392,118,454
2,175,000 EBT shares, held for 347 days granted but not vested	2,067,740
WEIGHTED AVERAGE NUMBER OF SHARES FOR FULLY DILUTED EPS CALCULATION	394,186,193

10. CASH AND CASH EQUIVALENTS

All short term deposits are interest bearing at the various rates applicable in the business locations of the Group.

11. ACCOUNTS RECEIVABLES

	As at 31 December	
	2007 €'000	2006 €'000
Japan	**51,065**	68,933
Germany	**6,291**	4,434
United Kingdom	**4,392**	1,507
	61,748	74,874

All receivables have short term maturity. No significant bad debt allowances were necessary during the reporting period.

Some of the unimpaired trade receivables are past due at the reporting date. The age of financial assets past due but not impaired is as follows:

	2007 €'000	2006 €'000
Not more than three months	**3,391**	1,612

12. INVENTORIES

Inventories include finished goods and work in progress (ingots and blocks), as well as production supplies. The change in inventories reported in the Income Statement includes the additions and disposals under the items "finished goods" and "work in progress".

	As at 31 December	
	2007 €'000	2006 €'000
Finished products	**2,618**	1,655
Work in progress	**9,635**	4,112
Raw materials	**8,400**	8,066
	20,653	13,833

No significant write downs were necessary on inventories in the period under review.

13. PREPAID EXPENSES AND OTHER ASSETS

	2007 €'000	2006 €'000
Subsidy claims	**3,805**	497
VAT	**3,418**	1,690
Prepaid expenses	**6,341**	2,431
	13,564	4,618

14. INTANGIBLE ASSETS

	Patents and licences €'000	Software under development €'000	Total €'000
COST			
At 1 January 2007	304	7	311
Additions	128	157	285
Disposals	(6)	(7)	(13)
AT 31 DECEMBER 2007	**426**	**157**	**583**
DEPRECIATION			
At 1 January 2007	135	–	135
Charge for the year	76	–	76
On disposals	(6)	–	(6)
AT 31 DECEMBER 2007	**205**	**–**	**205**
NET BOOK VALUE			
AT 31 DECEMBER 2007	**221**	**157**	**378**
At 31 December 2006	169	7	176

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
COST					
At 1 January 2007	372	35,884	2,087	2,140	40,483
Additions	423	3,228	526	21,827	26,004
Reclassification	–	1,198	–	(1,198)	–
Disposals	–	(1)	(155)	–	(156)
Net effect of foreign currency movements	(32)	(1,949)	(33)	(4)	(2,018)
AT 31 DECEMBER 2007	**763**	**38,360**	**2,425**	**22,765**	**64,313**
DEPRECIATION					
At 1 January 2007	130	25,229	1,157	–	26,516
Charge for the year	10	4,250	333	–	4,593
On disposals			(109)	–	(109)
Net effect of foreign currency movements	(12)	(1,762)	(28)	–	(1,802)
AT 31 DECEMBER 2007	**128**	**27,717**	**1,353**	**–**	**29,198**
NET BOOK VALUE					
AT 31 DECEMBER 2007	**635**	**10,643**	**1,072**	**22,765**	**35,115**
At 31 December 2006	242	10,655	930	2,140	13,967

	Freehold land and buildings €'000	Plant and machinery €'000	Other furniture and equipment €'000	Assets under construction €'000	Total €'000
COST					
At 1 January 2006	364	33,331	1,816	627	36,138
Additions		2,086	357	1,582	4,025
Reclassification	–	47	13	(69)	(9)
Disposals	–	(47)	(99)	–	(146)
Net effect of foreign currency movements	8	467	–	–	475
AT 31 DECEMBER 2006	**372**	**35,884**	**2,087**	**2,140**	**40,483**
DEPRECIATION					
At 1 January 2006	117	19,872	966	–	20,955
Charge for the year	11	5,042	287	–	5,340
On disposals		(42)	(97)	–	(139)
Net effect of foreign currency movements	2	357	1	–	360
AT 31 DECEMBER 2006	**130**	**25,229**	**1,157**	**–**	**26,516**
NET BOOK VALUE					
AT 31 DECEMBER 2006	**242**	**10,655**	**930**	**2,140**	**13,967**
At 31 December 2005	247	13,459	850	627	15,183

Asset under construction relate to the polysilicon facility in Bitterfeld.

Capital commitments at year end relating to the above amounted to €30.65 million.

16. OTHER LONG TERM ASSETS

	As at 31 December	
	2007 €'000	2006 €'000
Other assets	**246**	150
Prepaid expenses	**4,351**	1,776
	4,597	1,926

17. DEFERRED TAXES

Deferred taxes are calculated at the local rates in accordance with IAS 12 (Income Taxes).

Deferred tax assets and liabilities are attributable to the following accounting and valuation differences of the book value of assets and liabilities between the IFRS Balance Sheet and the tax Balance Sheet and tax losses carried forward.

	€'000	€'000
Elimination of inter-company gains	**1,337**	219
Fixed assets	**632**	538
Enterprise tax	**166**	143
Pension plans	**75**	108
Other	**119**	14
DEFERRED TAX ASSET	**2,329**	1,022
General allowance on accounts receivables	**(233)**	(267)
Fixed assets	**(47)**	–
DEFERRED TAX LIABILITY	**(280)**	(267)
TOTAL DEFERRED TAXES	**2,049**	755

18. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	As at 31 December	
	2007 €'000	2006 €'000
Syndicated loans	**39,537**	53,091
MicroVenture loans	**–**	1,620
Other loans	**89**	366
	39,626	55,077
Current portion	**39,619**	53,342
Non-current portion	**7**	1,735
	39,626	55,077

18. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES CONTINUED

LOANS PAYABLE AND CONDITIONS

Underwriter	2007 €'000	2006 €'000	Maturity	Interest rate	Assets pledged
The Bank of Tokyo Mitsubishi UFJ	**8,742**	13,741	Variable	1.47583-1.49917%	Accounts receivable
Other syndicated loans	**30,191**	33,015	Variable	1.47583-1.49917%	Accounts receivable
The Bank of Mitsubishi Tokyo UFJ	**605**	6,335	Variable	1.96%	Accounts receivable
MicroVenture GmbH & Co. KGaA	**–**	1,020	01/02-12/08	10.000%	None
MicroVenture GmbH & Co. KGaA	**–**	600	01/02-12/09	10.000%	None
Other loans	**88**	366	07/02-01/09	0.00%-7.057%	Machinery and equipment
	39,626	55,077			

The "Other syndicated loans" have been issued by a syndicate including the following banks: Yokohama bank, Shizuoka bank, Syokoukumiaityuou bank, Hiroshima bank, Ooita bank, Kouginri-su, Sinwa bank, Toukyoutomin bank, Tougin ri-su, Yamanasityuou bank, Risona bank, Gihu bank, Daiyamondori-su, Keiyou bank, Tyukyou bank, Jyuuroku bank, Kouti bank, Daisan bank and Musashino bank.

19. ACCOUNTS PAYABLE

Accounts payable are obligations arising from normal business transactions.

	As at 31 December	
	2007 €'000	2006 €'000
Japan	**11,647**	10,491
United Kingdom	**3,774**	2,745
Germany	**6,326**	2,509
	21,747	15,745

20. PROVISIONS AND ACCRUALS

The provisions and accruals of the Group are as follows:

	2007 €'000	2006 €'000
Rents and ancillary rent costs	**592**	694
Outstanding invoices	**1,281**	782
Bonuses	**524**	592
Warranty provisions	**396**	371
Other payroll accruals	**260**	424
Year end costs	**265**	213
Supervisory Board remuneration	**38**	58
Other	**276**	74
CURRENT ACCRUALS AND PROVISIONS	**3,632**	3,208
Rents and ancillary rent costs	**–**	127
Stamp duty	**100**	100
Other	**28**	45
NON-CURRENT ACCRUALS AND PROVISIONS	**128**	272
TOTAL ACCRUALS AND PROVISIONS	**3,760**	3,480

21. DEFERRED INCOME

The grants from governmental institutions are bound to specific terms and conditions. The Group is obliged to observe retention periods of five years for the respective assets in case of investment subsidies as well as of five years for assets under investment grants, and to retain a certain number of jobs created in conjunction with the underlying assets. In cases of violations of the terms, the grants received must be repaid. In the past, the grants received were subject to periodic audits, which were concluded without significant findings or adjustments.

The deferred subsidies in the period under review consist of the following:

	As at 31 December	
	2007 €'000	2006 €'000
Investment subsidies	**2,246**	2,266
Investment grants	**3,809**	1,405
Other grants and subsidies	**1**	7
	6,056	3,678
Current portion	**860**	817
Non-current portion	**5,196**	2,861
	6,056	3,678

22. INCOME TAX PAYABLE

	As at 31 December	
	2007 €'000	2006 €'000
United Kingdom	**8,516**	3,611
Germany	**532**	3,635
Japan	**1,807**	2,064
	10,855	9,310

Income tax liabilities comprise both corporation and trade tax liabilities, calculated or estimated by the Group companies as well as corresponding taxes payable abroad due to local tax laws, including probable amounts arising on completed or current tax audits.

23. OTHER CURRENT LIABILITIES

	As at 31 December	
	2007 €'000	2006 €'000
VAT liability	**85**	303
Payroll liabilities	**344**	237
Other liabilities	**502**	576
	931	1,116

24. ADVANCE PAYMENTS RECEIVED

As is the industry norm, where possible and suitable the Group enters into long term contracts with its customers and may request payment deposits from them ahead of the supply of goods. At 31 December 2007, such deposits amounted to €10 million, from one customer. (2006: €722,000 from two customers classified as current liabilities).

25. PENSION BENEFIT OBLIGATION

The obligation relates to fixed post retirement payments for two employees and includes benefits for surviving spouses granted in 2005. The plan will be fully funded upon retirement of the employees by insurance contracts held and paid in by the Group. In case of insolvency the benefits have been ceded to the employees directly. Therefore the fair value of the insurance contracts has been treated as plan asset.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds at the balance sheet date with a ten year maturity, adjusted for additional term to maturity of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to the Income Statement in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional to the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The Group contributions are paid directly to the asset holding insurance company, thereby guaranteeing the value of the scheme which is deemed wholly funded.

	As at 31 December	
	2007 €'000	2006 €'000
PENSION BENEFITS		
Present value of defined benefit obligations	**(1,241)**	(1,144)
Fair value of plan assets	**765**	513
TOTAL EMPLOYEE BENEFITS	**(476)**	(631)
MOVEMENTS IN THE BALANCE SHEET:		
Present value of defined benefit obligations 1 January	**(1,145)**	(1,015)
Expense recognised	**(118)**	(121)
Interest cost	**(50)**	(38)
Actuarial gains	**72**	30
Present value of defined benefit obligations 31 December	**(1,241)**	(1,144)
Fair value of plan assets 1 January	**512**	265
Contribution	**256**	256
Expected return of plan assets	**32**	13
Actuarial losses	**(35)**	(21)
Fair value of plan assets 31 December	**765**	513
AMOUNTS RECOGNISED IN THE INCOME STATEMENT:		
Interest cost	**(50)**	(38)
Expected return of plan assets	**32**	13
Current service cost	**(119)**	(121)
Actuarial gains/losses	**37**	9
	(100)	(137)
The principal acturial assumptions used were as follows:		
Discount rate	**5.00%**	4.40%
Expected return of plan assets	**4.50%**	5.00%
Future salary increases	**–**	–
Future pension increases	**2.00%**	1.75%

The expected service expenses for 2008 are €138,325, the contributions to plan assets are estimated at €255,717.

26. EQUITY

	2007 €'000
AUTHORISED SHARE CAPITAL	
600,000,000 ordinary shares of 2 pence each	**17,756**
ALLOTTED, CALLED UP AND FULLY PAID	
416,725,335 ordinary shares of 2 pence each	**12,332**

On 6 June 2007 the Company issued 41,725,235 new ordinary shares of 2 pence each representing 10% of the enlarged share capital at a price of 130 pence per share raising £54,242,806 before expenses in this respect.

PV Crystalox Solar PLC was incorporated on 5 December 2006 with an authorised share capital of £50,000. The authorised share capital was increased by Special Resolution on 20 December 2006 to £7,950,002 and further increased by Special Resolution on 21 May 2007 to £8,000,000.

In December 2006, the Company made an offer to each of the shareholders of PV Crystalox Solar AG to purchase all of their shares in PV Crystalox Solar AG in exchange for the issue to them of an equivalent number of shares in the Company. On 5 January 2007, the Company issued 5,625,000 ordinary shares of £1.00 each to the UK based shareholders in exchange for an equivalent number of shares in PV Crystalox Solar AG held by them. On 10 May 2007, the Company issued a further 1,875,000 ordinary shares of £1.00 each to the remaining shareholders in PV Crystalox Solar AG, again, in consideration for an equivalent number of shares in PV Crystalox Solar AG held by them. Except for the two ordinary shares of £1.00 each issued for cash at incorporation, the remaining 7,500,000 issued ordinary shares of £1.00 each in the Company were issued in exchange for shares in PV Crystalox Solar AG.

By resolutions passed at the Extraordinary General Meeting of the Company held on 21 May 2007 each ordinary share of £1.00 in the capital of the Company (both issued and un-issued) was sub-divided into 50 ordinary shares of 2 pence each.

The Company established an Employee Benefit Trust, a Jersey based employee benefit Trust, on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. A number of share grants were made to key employees on 17 December 2007.

The "Currency translation adjustment" represents the differences arising from the currency translation of investments in subsidiaries.

SUMMARY OF RIGHTS OF SHARE CAPITAL
The ordinary shares are entitled to receipt of dividends. On winding up their rights are restricted to a repayment of the amount paid up and to share in any surplus assets arising. The ordinary shares have full voting rights.

27. SHARE OPTIONS

On 19 January 2007 75,000 ordinary shares of £1 were granted by the EBT at the market price on that date of £25 per share. These shares were exercised immediately at an exercise price of nil pence. The total value of the grant was therefore £1,950,000 or €2,281,017. On 21 May 2007 each ordinary share of £1 in the Capital of the Company was sub-divided into 50 ordinary shares of 2 pence each.

On 17 December 2007 2,175,000 ordinary shares of 2 pence were granted by the EBT at the market price at that date of 130 pence per share. These shares vest in three years on the condition that staff remain in the Group's employment for that period. These options have an exercise price of nil pence. None of these shares were forfeited or cancelled during the year.

28. CASH FLOW STATEMENT

The composition of cash positions, the general presentation of the Cash Flow Statement and the accounting option remain unchanged from the previous period.

The Cash Flow Statement was prepared in compliance with IAS 7. The cash flow from operating activities is presented according to the indirect method.

Cash is defined as the balance of cash and cash equivalents.

All liabilities to banks are considered to be financial liabilities for purposes of the Cash Flow Statement.

Interest income is disclosed under cash flow from operating activities, while interest and dividend payments are recognised under cash flow from financing activities.

Tax payments are reported with their full amounts under operating activities, since it is practically impossible to allocate these payments to individual business segments.

29. RISK MANAGEMENT AND HEDGING STRATEGIES

The main risks arising from the Group's financial instruments are credit risks, interest rate risks, procurement risks, and exchange rate fluctuation risks. The Board reviews and determines policies for managing each of these risks and are as such summarised below. These policies have been consistently applied throughout the period.

CREDIT RISK

The Group's principal financial assets are cash deposits and trade receivables. The credit risk associated with cash is limited as the financial institutions involved have high credit ratings assigned by international credit-rating agencies. The main credit risk therefore arises from trade receivables.

All trade receivables are of a short term nature, with maximum payment terms of 150 days. In order to manage credit risk, local management defines limits for customers based on a combination of payment history and customer reputation. Credit limits are reviewed by local management on a regular basis. As a supplier to some of the leading manufacturers of solar cells, the Group has a limited but increasing number of customers. In 2007 48% of the sales are related to the largest customer (2006: 50%), who received a rating of A by Standard & Poor's and A1 by Moody's. The number of customers accounting for approximately 95% of the annual revenue increased from 15 in 2006 to 16 in 2007. Where appropriate, the Group requests payment or part-payment in advance of shipment, which generally covers the cost of the goods. Different forms of retention of title are used as securing means depending on local restrictions prevalent on the respective markets.

EXCHANGE RATE FLUCTUATION RISKS

A large portion of sales revenue is invoiced in foreign currency, potentially exposing the Group to exchange rate risks. In the financial year 2007, about €163.5 million (2006: €162.4 million) of the Group's sales was generated in JPY. Expenses of €125.2 million (2006: €126.3 million) invoiced in JPY were allocated to cost of materials.

Significant cash funds are denominated in currencies other than the presentational currency of the Group. Excess cash funds not needed for local sourcing are exposed to exchange rate and associated interest fluctuation risks, particularly so in the UK.

The Group sells its products in a number of currencies (mainly Japanese Yen and Euros and to a lesser extent US Dollars) and also purchases in a number of currencies (mainly Japanese Yen, Euros, Pounds Sterling and US Dollars).

The Group is largely naturally hedged because it buys a significant proportion of its raw materials in Japanese Yen and Euros, operates its wafering factory within the Euro-zone and pays for the sub-contracting of wafer production in Japan in Japanese Yen. However, the ingot manufacturing operation is within the UK and therefore part of Group costs are in Pounds Sterling.

The exchange rate risk is predominantly in the UK in respect of balances held in Euros and Yen. However, in addition to its natural hedging position, the Group is able to further mitigate currency risk by utilising surplus Yen to repay Group loans held in Japan and to allocate surplus Euros to capital investment in the new polysilicon project at Bitterfeld in Germany.

After careful consideration and due to the satisfactory natural hedging position, the directors have adopted a long-term policy of setting-off any downside risks of currency fluctuation against the associated up-side risks.

During 2007 the Japanese Yen/Euro exchange rate declined 5.22% (2006: 12.82%). The impact of this decline on the Income Statement was to reduce sales revenues by approximately 4% (2006: 8.97%) and to reduce operating profit (EBIT) by approximately 0.8% (2006: 1.99%). During 2007 the net gain on foreign currency adjustments was a gain of €1.9 million (2006: loss of €1.6 million).

INTEREST FLUCTUATION RISKS

The Group is exposed to interest rate fluctuation risks, since the Group's loan agreements largely are subject to variable interest rates. In Japan swaps have been used to a small extent to hedge against these risks. All variable interest rate loans are of a short-term nature with a maturity of less than twelve months and part of credit lines that expire at the latest in September 2008. The vast majority of borrowings €39,536,683 (99.8%) at the end of 2007 are in Japanese Yen (2006: 96.4%). Accordingly, there is a downside risk that Japanese Yen interest rates may increase substantially from the current low levels. However, the Group has a regular strong Japanese Yen income, sufficient to repay the loans (if Group management wished to do so) within a twelve month time scale.

On 31 December 2007 the Group had borrowings in Japanese Yen of €39.5 million (2006: €53.1 million) at an average interest rate of approximately 1.5% (2006: 1.5%). For each 1% rise in the Japanese Yen interest rates Group interest costs would increase by approximately €400,000 (2006: €530,000) and for each 1% fall in the Japanese Yen interest rates interest costs would fall by approximately €400,000 (2006: €530,000). Accordingly, Group profits and equity would fall or rise (after corporation tax in Japan) by approximately €200,000 (2006: €265,000).

Further sensitivity analysis of the accruals and loans outstanding at year end has not been disclosed as they are virtually all current and paid in line with standard payment terms.

29. RISK MANAGEMENT AND HEDGING STRATEGIES CONTINUED

INTEREST FLUCTUATION RISKS CONTINUED

The Group's borrowings in Japanese Yen are also current and have no set repayment plan being secured on the Japanese receivables book. The interests on this loan is paid monthly in arrears.

Total financial assets and liabilities	Book value €000	Designated at fair value €000	Available-for-sale €000	Loans and receivables €000	Amortised costs €000	Total carrying value €000	Fair value €000
Cash and cash equivalent	147,892	–	147,892	–	–	147,892	147,892
Accounts receivable	61,748	–	–	61,748	–	61,748	61,748
Prepaid expenses	7,636	–	–	7,636	–	7,636	7,636
Advance payments to suppliers	10,525	–	–	10,525	–	10,525	10,525
Advance payments from customers	(10,000)	–	–	(10,000)	–	(10,000)	(10,000)
Accounts payable	(21,748)	–	–	(21,748)	–	(21,748)	(21,748)
Accrued expenses	(3,760)	–	–	(3,760)	–	(3,760)	(3,760)
Borrowings due within one year	(39,619)	–	–	(39,619)	–	(39,619)	(39,619)
Borrowings due after one year	(7)	–	–	(7)	–	(7)	(7)
Deferred income	(6,056)	–	–	–	(6,056)	(6,056)	(6,056)
Derivative assets	(107)	(107)	–	–	–	(107)	(107)
Other liabilities	(823)	–	–	(823)	–	(823)	(823)
	145,681	(107)	147,892	3,952	(6,056)	145,681	145,681

30. CALCULATION OF FAIR VALUE

There are no publicly traded financial instruments (e.g. publicly trade derivatives and securities held for trading and available-for-sale securities) nor such other financial instruments that are traded in the standard way held by the Group.

31. CONTINGENT LIABILITIES

The Group did not assume any contingent liabilities for third parties. No material litigation or risks from violation of third parties rights or laws that could materialise in 2007 are pending at the current time.

32. OTHER FINANCIAL OBLIGATIONS

LEASE AGREEMENTS (OPERATING LEASES)

The leases primarily relate to rented buildings and have terms of no more than eight years. Financial obligations resulting from operating leases become due as follows:

	As at 31 December	
	2007 €'000	2006 €'000
Less than one year	**1,326**	1,219
Two to five years	**5,009**	3,651
Longer than five years	**2,172**	1,378
	8,507	6,248

EQUIPMENT PURCHASE COMMITMENTS

Orders to the amount of €31.0 million had been made on 31 December, of which the majority relate to advance payments made in order to further the investments regarding the expansion of production.

33. RELATED PARTY DISCLOSURES

The Group basically defines related parties as the senior executives of the Group and also companies that these persons could have a material influence on as related parties. During the reporting period, none of the shareholders had control over or a material influence in the parent group. All future transactions with such related parties will be conducted under normal market conditions.

The remuneration of the directors, who are the key management personnel of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 21 to 23.

34. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

COMPANY FINANCIAL STATEMENTS

56 REPORT OF THE INDEPENDENT AUDITOR
57 ACCOUNTING POLICIES
58 COMPANY BALANCE SHEET
59 NOTES TO THE COMPANY FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF PV CRYSTALOX SOLAR PLC

We have audited the parent company financial statements of PV Crystalox Solar PLC for the period ended 31 December 2007 which comprise the principal accounting policies, the Balance Sheet and notes 1 to 10. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2007. We have also audited the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report, Directors' Remuneration Report and the parent company financial statements in accordance with UK law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice (UK GAAP)) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Introduction, the Corporate Governance Statement, Report of the Directors, the unaudited part of the Directors' Remuneration Report and the unaudited supplementary information detailed in the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with UK GAAP, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
OXFORD
2 APRIL 2008

ACCOUNTING POLICIES

PV Crystalox Solar PLC was incorporated on 5 December 2006 and presents its first financial statements for the period ended 31 December 2007.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The Company has taken advantage of Section 230 of the Companies Act (1985), excluding it from preparing a company only profit and loss account on the basis that a Consolidated Income Statement is included in the Group financial statements.

INVESTMENTS

Investments are included at cost and reviewed annually for impairment.

EMPLOYMENT BENEFIT TRUST (EBT)

All assets and liabilities of the EBT are have been consolidated in these financial statements as PV Crystalox Solar PLC has de facto control over the trust's net assets as its sponsoring company.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Balance Sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at the foreign exchange rate ruling at that date.

The exchange difference arising on the re-translation of opening net assets is taken directly to reserves together with the exchange difference arising on the re-translation of the profit and loss accounts to the closing rate. All other translation differences are taken to the profit and loss account.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 £
FIXED ASSETS		
Investments	1	**7,500,000**
CURRENT ASSETS		
Debtors	2	**45,816,089**
Cash at bank		**34,273**
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	**(387,645)**
NET CURRENT ASSETS		**45,462,717**
TOTAL ASSETS LESS CURRENT LIABILITY		**52,962,717**
CAPITAL AND RESERVES		
Called-up equity share capital	7	**8,334,507**
Share premium account		**51,248,197**
Investment in own shares		**(3,705,000)**
Share-based payment reserve		**42,245**
Profit and loss account	8	**(2,957,232)**
SHAREHOLDERS' FUNDS	9	**52,962,717**

These financial statements were approved by the directors on 2 April 2008 and are signed on their behalf by:

DR IAIN A DORRITY
DIRECTOR

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. INVESTMENTS
SHARES IN SUBSIDIARY UNDERTAKINGS

	£
COST	
At 31 December 2007	**7,500,000**
NET BOOK VALUE	
At 31 December 2007	**7,500,000**

At 31 December 2007 the Company held more than 20% of the allotted share capital of the following undertakings:

Subsidiary	Country of incorporation	Class of share capital held	Proportion held	Capital and reserves	Profit for the financial year
PV Crystalox Solar AG	Germany	Ordinary	100%	£31,976,046	£344,417
PV Silicon Forschungs und Produktions AG	Germany	Ordinary	100%	£18,907,783	£7,410,626
Crystalox Solar Ltd	UK	Ordinary	100%	£100,000	–
Crystalox Ltd	UK	Ordinary	100%	£46,161,146	£25,583,647
Crystalox Japan KK	Japan	Ordinary	90.9%	£5,959,728	£2,943,413

2. DEBTORS

	Note	2007 £
Amounts owed by Group undertakings		**45,560,723**
Withholding tax		**13,472**
Other debtors		**18,869**
Prepayments and accrued income		**2,592**
Deferred taxation	3	**220,433**
		45,816,089

3. DEFERRED TAX
The deferred tax included in the Balance Sheet is as follows:

	Note	2007 £
Included in debtors	2	**220,433**

The movement in the deferred taxation account during the year was:

	2007 £
Balance brought forward	**–**
Profit and loss account movement arising during the year	**220,433**
Balance carried forward	**220,433**

The balance of the deferred taxation account consists of the tax effect of the tax losses carried forward:

	2007 £
Effect of tax losses carried forward	**220,433**

4. EMPLOYEE BENEFIT TRUST
The Company established the Employee Benefit Trust, a Jersey based employee benefit Trust, on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. A number of share grants were made to key employees on 17 December 2007. A share incentive plan has been established to enable the grant of 500 shares each to all employees in January 2008.

	EBT 2007 £
Shares held by the Employee Benefit Trust	**3,705,000**

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £
Other taxation and social security	**73,602**
Accruals and deferred income	**314,043**
	387,645

6. RELATED PARTY TRANSACTIONS

As the Company produces publicly available Group accounts, the Company is exempt from the requirements of FRS 8 to disclose transactions with other members of its Group.

7. SHARE CAPITAL

	2007 £
AUTHORISED SHARE CAPITAL	
600,000,000 ordinary shares of 2 pence each	**12,000,000**
ALLOTTED, CALLED UP AND FULLY PAID:	
416,725,335 ordinary shares of 2 pence (£1) each	**8,334,507**

In December 2006, the Company made an offer to each of the shareholders of PV Crystalox Solar AG to purchase all of their shares in PV Crystalox Solar AG in exchange for the issue to them of an equivalent number of shares in the Company. On 5 January 2007, the Company issued 5,625,000 ordinary shares of £1.00 each to the UK based shareholders in exchange for an equivalent number of shares in PV Crystalox Solar AG held by them. On 10 May 2007, the Company issued a further 1,875,000 ordinary shares of £1.00 each to the remaining shareholders in PV Crystalox Solar AG, again, in consideration for an equivalent number of shares in PV Crystalox Solar AG held by them. Except for the two ordinary shares of £1.00 each issued for cash at incorporation, the remaining 7,500,000 issued ordinary shares of £1.00 each in the Company were issued in exchange for shares in PV Crystalox Solar AG. By resolutions passed at the Extraordinary General Meeting of the Company held on 21 May 2007 each ordinary share of £1.00 in the capital of the Company (both issued and un-issued) was sub-divided into 50 ordinary shares of 2 pence each.

The Company established an Employee Benefit Trust, a Jersey based employee benefit Trust, on 18 January 2007, which has acquired, and may in the future acquire, the Company's ordinary shares for the benefit of the Group's employees. A number of share grants were made to key employees on 17 December 2007.

8. PROFIT AND LOSS ACCOUNT

	2007 £
Balance brought forward	**–**
Loss for the financial year	**2,957,232**
Equity dividends paid	**–**
Balance carried forward	**2,957,232**

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £
New share capital	**59,624,949**
Loss for the financial year	**(2,957,232)**
Investment in own shares	**(3,705,000)**
Share-based payment reserve	**42,245**
Net addition to shareholders' funds	**56,667,717**
Opening shareholders' funds	**–**
Closing shareholders' funds	**56,667,717**

10. CAPITAL COMMITMENTS

There were no amounts contracted for but not provided in the financial statements.

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

Brook House
174 Milton Park
Abingdon
Oxfordshire OX14 4SE

Tel: +44(0) 1235 437 160
Fax: +44(0) 1235 437 199

www.pvcrystalox.com