PV Crystalox Solar PLC

Annual report and accounts 2015

PV Crystalox Solar is a long established supplier to the global photovoltaic industry, producing multicrystalline silicon wafers for use in solar electricity generation systems.

Highlights

- Shipment volumes broadly unchanged at 203MW (2014: 212MW)
- Strategy review period extended in view of improved market conditions
- Further restructuring measures to reduce fixed costs
- Burden of major long term polysilicon contract removed
- ICC arbitration evidentiary hearing scheduled for July 2016

Revenues
€64.5m
2014: €53.3m

Net cash
€12.7m
2014: €24.6m

Inventories
€23.2m
2014: €28.6m

Net cash used in operating activities
€(12.9)m
2014: €(15.7)m

LBT (losses before taxation)
€(13.7)m
2014: €(4.7)m

Find more online at
www.pvcrystalox.com

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The Board remains mindful of the need to protect shareholder value and accordingly believes that extending the period of the strategic review is in the best interest of shareholders.

John Sleeman, Chairman

Dear Shareholder

Photovoltaic ("PV") market conditions have been extremely challenging for several years with industry overcapacity depressing prices across the value chain. As a result the Group has since November 2011 been operating under a cash conservation strategy to protect shareholder value whilst preserving the Group's core production capabilities. At the time of the 2015 interim results the Group announced that it intended to carry out a strategic review of the business. The review was to take account of the Group's cash position and production cost structure, industry overcapacity and the prospects for rational pricing returning to the market. In view of changes in market conditions during recent months that have positively impacted the Group's competitive position, the Board considered it sensible to extend the review period. This extension will also provide time to take full account of the outcome of the ongoing dispute with a long-term wafer contract customer where we have filed for ICC arbitration. The judgement of the arbitral tribunal is expected later in the year and while the outcome is uncertain, the value of any award if our claim is upheld could be a multiple of the Group's market capitalisation.

During 2015 the Group has carried out further restructuring in order to reduce its fixed costs and has made continued progress in achieving manufacturing cost reductions. Under the current improved market conditions the Group's cash cost of wafer production is now below the market price. The Group has also concluded successfully its obligations under the larger of its two polysilicon purchase contracts which has been a financial burden for several years.

In 2015 wafer shipments of 203MW were broadly similar to the previous year. Under the cash conservation strategy we trade excess polysilicon and in 2015 we sold significantly higher volumes than in 2014 with the overall result that our total revenues of €64.5 million were 20.9% higher than in 2014. We remain, however, loss making and the loss before tax increased to €13.7 million compared to €4.7 million in 2014 as the levels of other income and exchange gains experienced in 2014 were not repeated in 2015. Net cash at the year end was €12.7 million, which was €11.9 million lower than the €24.6 million held at the end of 2014.

Our employees remain one of the Group's key strengths and are vital in ensuring that we retain our core production capabilities. I would like to thank all our employees for their commitment and contribution during these challenging times. In particular, I thank our Japanese employees for their professionalism following the Group's decision to wind up its Tokyo-based subsidiary at the end of 2015 and wish them well in the future. Japan had previously been the Group's major wafer manufacturing centre and was our major market until 2013. The decision to wind up operations in Japan followed a marked decline in cell manufacturing and the Group's lack of an active customer base there.

The Board remains committed to maintaining governance levels above those required for a company with a standard listing to ensure that the right people, systems and processes are in place to manage risk and to deliver the Group's agreed strategy. Our internal review found that the Board is operating effectively, and full details of our governance activities can be found in the Corporate Governance section of the Annual Report.

The Board remains mindful of the need to protect shareholder value and accordingly believes that extending the period of the strategic review is in the best interest of shareholders. Whilst the Board believes that the long-term outlook for the solar industry remains positive and our short-term commitment remains strong, our longer-term participation remains dependent upon sensible trading conditions in the solar marketplace.

John Sleeman
Chairman
16 March 2016

The spot price for wafers, the Group's primary product, has shown some modest recovery during recent months while the price of polysilicon, the key raw material, has fallen to historic lows. The net result of these divergent trends is that wafer prices now exceed the Group's cash cost of production.

Ian Dorrity, Chief Executive Officer

Operational review of 2015

Market environment

2015 was another year of strong growth for global PV installations but difficulties persisted for manufacturers as excess capacity, primarily in China, continued to depress prices across the value chain. Prices fell to historic lows during the first half of the year following a short-lived recovery seen at the end of 2014. The market environment improved for cell and wafer companies during the second half of the year with prices recovering back to the levels seen at the beginning of 2015.

The situation for polysilicon producers further worsened in the second half of the year with oversupply and anti-dumping duties in China causing prices to plummet. Spot prices fell by 30% during 2015 and week-on-week declines have continued into 2016. With spot market prices of $13/kg now well below cash costs of production and little prospect of recovery in the short term, some polysilicon producers have been forced to take drastic action. In recent weeks some companies have opted to write down production assets while others have temporarily or permanently shut down production. However, at the same time new production capacity has been brought on stream.

Chinese companies continue to dominate the global PV market: seven out of the world's top ten module manufacturers are based there and account for around 45% of global output. However, several companies suffer from excessive debt levels with one major company collapsing into insolvency in 2015 and others surviving only with support from state or local government owned banks.

Wafers

The spot price for wafers, the Group's primary product, has shown some modest recovery during recent months while the price of polysilicon, the key raw material, has fallen to historic lows. The net result of these divergent trends is that wafer prices now exceed the Group's cash cost of production. A recent report from Bloomberg New Energy Finance has highlighted that while considerable surplus capacity exists in the polysilicon, cell and module sectors, the wafer sector could be a potential bottleneck with capacity closely matched to demand. Consequently the tight wafer supply situation and higher wafer prices are expected to persist in the short term.

Group operations in 2015

Operational capabilities

In recent years the Group's strategy has been to maintain a balance between cash conservation and managing its contractual obligations whilst maintaining a limited market presence and retaining its core production capabilities in the UK, Germany and Japan until sensible market conditions return.

Experts in multicrystalline silicon wafers

PV Crystalox Solar continues to contribute to making solar power cost competitive with conventional hydrocarbon power generation and, as such, continues to seek to drive down the cost of production whilst increasing solar cell efficiency.

We are the only remaining pure-play wafer manufacturer in Europe and are able to take advantage of any EU-specific manufacturing incentives. The Group exports the vast majority of its wafers to customers around the world.

Our three-stage production process

Delivering to customers worldwide

PV Crystalox Solar supplies multicrystalline silicon wafers to PV companies mainly from Crystalox Limited or directly from its wafering facility in Germany.

We collaborate closely with customers to ensure standards are maintained and that any technological developments are passed on quickly.

1 Ingot production

Multicrystalline silicon ingots are directionally solidified, under carefully controlled conditions, from molten, high purity polysilicon, in production systems designed and manufactured internally at the Group's facilities in the UK.

100%

Crystalox Limited, Abingdon, UK

During 2015 the Group has carried out further restructuring and made further cuts to its fixed costs by ceasing operations in Japan. The Group has shifted its focus from wafering at subcontractors in Japan to increasing its in-house wafer production in Germany, where considerable progress has been achieved in cost reduction.

The Group has also cut its fixed costs by permanently closing its oldest ingot production facility in the UK, which had been mothballed since 2011 in order to align better its capacity with anticipated future demand. Despite the closure, ingot capacity of 450MW remains and is significantly greater than current production levels.

Japan

The Group's subsidiary in Japan was set up in 2002 to manage both local productions of wafers from ingots/blocks shipped from the UK and wafer sales to end customers. At that time Japan was the major manufacturing centre for the global solar cell industry with several leading PV companies based there. Japan also provided a thriving subcontract wafering industry and the majority of the Group's total wafer output throughout the last decade was produced in Japan.

Japan remained the Group's major geographical market until 2013 but by the end of 2013 the Group no longer had an active customer base in Japan as PV companies there were increasingly outsourcing cell production to China and Taiwan. The Group maintained wafering operations in Japan but wafers were instead supplied to customers in Asia. Production was eventually suspended during 2015. As a consequence of these changes the Group decided to wind up its Tokyo-based subsidiary at the end of 2015.

Polysilicon contracts

In common with most PV companies the Group has been burdened by long-term polysilicon purchase contracts with prices considerably in excess of market prices. The Group has enjoyed good support from its two suppliers and has been able to negotiate adjustments to contract pricing.

The Group has now concluded its obligations under the largest contract and took delivery of the final shipment of polysilicon under that contract in December 2015. Annual volumes under the remaining contract are significantly lower and are consistent with current production volumes. Shipments are now scheduled to continue until late 2018.

Wafer supply contracts

The Group has a significant outstanding long-term sales contract with one of the world's leading PV companies which has failed to purchase wafers in line with its obligations since 2013. The supply contract was signed in 2008 and related to wafer shipments over a seven-year period with prices which reflected market prices at that time and which are considerably above current levels. Despite extensive negotiations it has not been possible to reach a mutually acceptable agreement and a request for arbitration was filed in March 2015 with the International Court of Arbitration of the International Chamber of Commerce ("ICC"). The evidentiary hearing of the arbitral tribunal is now scheduled to take place in Frankfurt in July 2016.

One other wafer supply contract remains with a customer which entered insolvency and where shipments stopped in 2012. Claims had been registered with the administrator and a small settlement had been expected before the end of 2015 but should now be received during 2016.

Revenues

Wafer shipments in 2015 of 203MW (2014: 211MW) were broadly in line with those in the previous year despite the suspension of wafering in Japan. Monthly production output in Germany during H1 2015 was 43% higher than the average run rate during 2014 and was increased by a further 25% during H2. Shipments were further boosted by running down wafer inventory.

The Group's wafer customers are in Taiwan, which has the largest cell manufacturing base outside China, and in Europe, where a few companies have survived the shakeout in recent years. Our wafers are particularly valued for use in modules for the French PV market, where incentives in the form of higher feed-in tariffs are offered when two out of the three parts of the manufacturing process (wafer/cell/module) are carried out in the EU. In December 2015 the French Government announced the results of its CR3 tender, which will replace the current scheme, and awarded 800MW of PV projects which must be completed within a two-year period. The carbon footprint of the complete module is a critically important factor for these projects. Accordingly, the Group expects to maintain its competitive position as the low carbon footprint of our wafers is more favourable than product from competitors based in China and Taiwan.

As in previous years, polysilicon deliveries under the polysilicon contracts during 2015 were considerably in excess of the Group's reduced production requirements and surplus volumes were traded on the spot market in order to manage inventories and maintain cash flows. Trading prices were much lower than the previous year but conditions were more favourable and enabled traded volumes to be significantly higher. Nevertheless inventory levels still increased during the year.

The sectioning of ingots into blocks is carried out at the Group's facilities in the UK. Quality control checks are carried out throughout ingot and block production, resulting in consistent, high performance multicrystalline wafers.

100%

Crystalox Limited,
Abingdon, UK

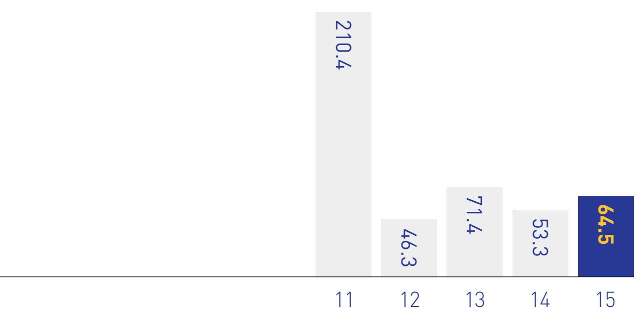
Wafering of the blocks takes place using wire saws at the Group's facility in Erfurt, Germany. Wafers are manufactured to meet the highest standards and we work with our customers to increase product quality.

100%

PV Crystalox Solar Silicon GmbH,
Erfurt, Germany

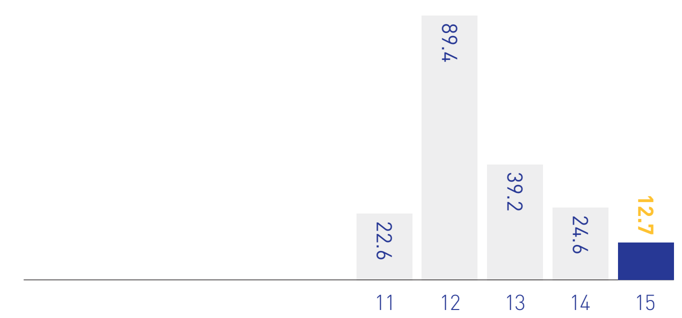
Revenues

€64.5m



Net cash

€12.7m



Group operations in 2015 continued

Revenues continued

During 2015 the Group commenced selling blocks to third party customers. Block shipment volumes were equivalent to around 9MW and are expected to be higher during 2016.

Strategic review

At the time of the Group's interim results on 27 August 2015, the Board indicated that it was to carry out a strategic review of the business which it intended to complete by the end of 2015. The review was to take account of the Group's cash position and production cost structure, industry overcapacity and the prospects for rational pricing returning to the market. A very high level summary of the review is as follows:

- At the end of 2015 the Group had €12.7 million of cash and €23.2 million of inventories.
- The Group has been successful in achieving both variable and fixed cost reductions.
- Wafer prices have improved in recent months while excess capacity continues to depress polysilicon prices.
- The divergent trends in polysilicon and wafer prices mean that wafer prices now exceed the Group's cash cost of production, but do not cover all the overheads.
- The Group has significant polysilicon inventory and under current circumstances conversion into wafers is now a more favourable option than trading the surplus polysilicon at market prices.
- The Group has filed for ICC arbitration in March 2015 in a dispute with a long-term wafer contract customer which had failed to honour its purchase obligations. The evidentiary hearing of the arbitral tribunal is scheduled for July with a judgement expected before the end of the year.

In view of the recent positive developments in the PV market environment the Board has decided that it would be prudent for the Group to extend the review period to assess the ongoing impact of these changes on the Group's business.

Meanwhile the Group will continue its strategy of maintaining a balance between cash conservation and managing its contractual obligations whilst maintaining a limited market presence and retaining its core production capabilities.

Financial review

In 2015 Group revenue increased by 20.9% to €64.5 million (2014: €53.3 million). This was mainly due to an increase in the level of trading of surplus polysilicon feedstock compared to 2014.

During 2015 the Group recognised other income of €1.2 million, which was €10.9 million lower than in 2014 when customer compensations included a settlement from the administrator of one of the long-term contract customers in insolvency.

The positive gross margin in the year was €0.2 million whereas in 2014 there was a negative gross margin of €12.4 million. This was driven by changes in the onerous contract provision ("OCP") element within cost of materials and services partially offset by an inventory writedown. In 2015 there was a net €17.4 million release in this element of the OCP whilst 2014 was negatively impacted by net charges of €8.2 million. Due to IFRS requirements changes to the OCP are recorded in costs of materials and services, currency gain and finance cost. Details of the onerous contract provision are discussed later in this review. During 2015 there was an inventory writedown of €5.5 million as a result of the fall in spot price of polysilicon feedstock during the year.

Within personnel expenses, gross wages and salaries at €7.3 million were 25.9% higher than in 2014 due primarily to a 16% increase in the average number of Group employees associated with a 63% increase in wafer production volumes in Germany and additional compensation costs of €0.6 million as a result of the wind-up of the Japanese subsidiary. The impact of shift from wafer production at subcontractors in Japan to in-house wafer production on the income statement is that the direct cost of labour is reported in personnel costs whereas wafer production costs at the subcontractor in Japan were recorded in costs of material and services.

Other expenses at €5.4 million were €1.2 million higher than in 2014 mainly due to legal costs, bad debts and land and building operating lease charges. Of these other expenses, legal costs incurred as a result of the arbitration case involving the customer with the outstanding long-term sales contract have resulted in those costs being €0.6 million more than in the previous year.

The Group's annual depreciation charge in 2015 remained modest at €0.4 million. During the year the Group surrendered the leases at one of its two production sites and disposed of the furnaces. These furnaces were fully depreciated and last produced ingots in 2011. It should be noted that the Group's remaining plant and equipment, which was largely written down between 2011 and 2013, remains available for use and a significant increase in ingot production can be achieved without a significant increase in capital expenditure or an increase in the annual depreciation charge.

Currency gains and losses, which are significantly impacted by the OCP, were a loss of €0.2 million in 2015 compared to a gain of €9.0 million in 2014.

Net interest expense was €0.6 million (2014: €2.3 million), mainly due to the unwinding of the discount rate used in the calculation of the Group's OCP.

Overall the Group generated a loss before taxes of €13.7 million (2014: €4.7 million). This increased loss of €9.0 million was driven mainly by an €11.0 million reduction in other income, €9.2 million lower currency gains, together with higher personnel costs (€1.8 million) and other expenses (€1.2 million) partly offset by an improvement in gross margins of €12.6 million and €1.7 million lower finance costs.

The Group's cash position at the year end of €12.7 million was €11.9 million lower than the net position of €24.6 million at the start of the year. €12.9 million of this was from net cash outflows on operating activities. This was partially offset by positive foreign exchange rate changes on cash of €0.8 million and €0.2 million proceeds from sale of property, plant and equipment.

Inventories decreased during the year by €5.4 million from €28.6 million at the end of 2014 to €23.2 million at the end of 2015. Finished product reduced by €4.0 million as wafer inventory was sold down. Work in progress reduced by €3.4 million primarily due to the cessation of wafer production in Japan which has eliminated the need for lengthy sea freight shipments of ingots from the UK. Consolidating wafer production in Germany greatly reduces time taken to turn polysilicon feedstock into multicrystalline silicon wafers in our three-stage production process. Raw materials inventory increased by €1.9 million compared to 2014 as the increased volume of polysilicon in stock was partially offset by the lower price per kg at the year end. Closing polysilicon feedstock inventory was written down to reflect a reduction in the spot price at the end of 2015. This resulted in a €5.5 million inventory writedown in 2015.

Onerous contract provision ("OCP")
In common with many PV companies, the Group previously entered into long-term contracts with two suppliers of polysilicon, which were both in operation during 2015. These contracts were made to secure the supply of raw material necessary to service the Group's long-term wafer supply contracts. However, since the middle of 2011, the market prices of wafers and polysilicon have fallen significantly below the prices agreed in the original contracts meaning that these commitments to purchase polysilicon became onerous.

In previous years, an onerous contract provision has been required in line with IAS 37; however, as a result of changes in the underlying assumptions, no provision is necessary in the current year. The provision has been removed from the financial statements, due to numerous variables changing within the industry, leading to the Group being able to sell wafers at a positive gross margin at this point in time. The key change was the increase in wafer sales prices during Q4 2015 which means the Group is now able to sell wafers at a positive gross margin. The completion of the larger contract in December 2015 also eliminated a large percentage of the provision seen in the prior year.

The total reduction in the provision of €15.5 million in the year has been driven by a number of factors. These include:

- €10.4 million of the provision from the prior year was utilised during 2015. This reflects the fact that the majority of the prior year provision was attributable to the larger contract which ended in 2015.
- €7.1 million of the provision was released. €5.5 million of this was due to favourable price negotiations on the larger contract in the period. The remaining €1.6 million reflects the ability of the Group to manufacture wafers at a positive gross margin using polysilicon from the remaining contract. This leads to the continuing contract no longer being considered onerous.

	2015 €'000	2014 €'000
Provisions brought forward	**15,541**	26,526
Unwinding of discount factor	**666**	2,390
Additional provision	**—**	9,715
Released	**(7,053)**	(1,553)
Exchange differences	**1,209**	(8,903)
Utilised	**(10,363)**	(12,634)
Provisions carried forward	**—**	15,541

- The remainder of the movement is a €0.7 million increase due to the unwinding of the discount rate and a €1.2 million foreign exchange translation movement.

In determining the closing level of provision required in the current year, assumptions were made as to how the polysilicon is expected to be used and subsequently to calculate any losses that will be generated from that use. In 2014 the Group strategy was to both produce wafers for sale, subject to demand, and to trade excess polysilicon as opposed to trading all future purchases of polysilicon. This strategy continued in 2015, although the price at which the excess polysilicon could be traded declined by one third throughout the year.

In 2016 the Group expects to continue to both produce wafers for sale and to trade excess polysilicon which is currently held in inventory. Due to the increase in the wafer sales price in Q4 2015, wafers can now be sold for a price higher than the production costs (excluding overheads). This has formed the basis for management's conclusion that no onerous contract provision is required.

Going concern
The Group's directors continue to operate a cash conservation strategy to enable the Group to manage its operations whilst market conditions remain difficult. The recent improvement in market conditions means that the Group's cash cost of wafer production is now below the market price. A description of the market conditions and the Group's actions to conserve cash is included in the Strategic Report.

As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. The assumptions around contracted sales volumes and prices and contracted purchase volumes and prices are based on management's expectations and contractual terms from the remaining polysilicon supply contract and are consistent with the Group's experience in the first part of 2016. The Group looked at the sensitivity in the model by considering different sales volumes and prices and noted that a significant drop in either would leave the Group in a cash positive position in March 2017.

The nature of the Group's operation means that it can vary production levels to match market requirements. As part of the cash conservation measures and the associated planning assumptions, production output currently remains reduced to match expected demand. In line with the Group's strategy of retaining flexibility in production levels, production can be brought back on stream should market conditions allow. In order to manage inventory levels the Group continues to sell excess polysilicon into the spot market.

On 31 December 2015 there was a net cash balance of €12.7 million, including funds held by an employee benefit trust. The value of the polysilicon inventory was €20.3 million.

Therefore, whilst any consideration of future matters involves making a judgement at a particular point in time about future events that are inherently uncertain, the directors, after careful consideration and after making appropriate enquiries, are of the opinion that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus the Group continues to adopt the going concern basis of accounting in preparing the annual financial statements.

As a result of these modelling assumptions the base plans indicate that the Group will be able to operate within its net cash reserves for the foreseeable future.

Outlook
Even on a conservative basis, analysts again forecast double-digit growth for global PV installations in 2016 and 2017. With the Group's cost structure now aligned better with market prices than for several years the Board takes a slightly more optimistic view of the industry environment. The Board remains acutely aware that such favourable conditions may only be temporary but believes that extending the period of the strategic review is in the best interest of shareholders, especially in view of the judgement of the arbitral tribunal which is expected later in 2016.

Iain Dorrity
Chief Executive Officer
16 March 2016

Global PV installations grew by 35% in 2015 to 59GW.

17% growth forecasted for 2016.

United States

7.3GW

- Third largest global market in 2015
- 25GW cumulative installations

Markets

According to market analysts IHS, global PV installations grew by 35% in 2015 to 59GW and are expected to grow a further 17% in 2016 and reach 69GW. By the end of 2016, cumulative global installed PV capacity will surpass 310GW, compared to just 40GW at the end of 2010. Five countries account for 70% of this capacity, being China, the USA, Japan, Germany and Italy. With annual installations slowing, Germany will fall from the second largest installed capacity to the fourth largest, overtaken by the USA and Japan.

China
China was again the leading PV market in 2015 and installed 15.1GW. In doing so China now has a total of 43GW of PV capacity according to the National Energy Administration. The country's PV capacity has increased roughly 13-fold since 2011 to now become the world's largest. Germany, formerly the global leader, has slipped to second place with installed capacity of 39.6GW according to the country's Federal Network Agency.

Japan
In 2009, the Japanese Government set PV installation targets of 28GW by 2020 and 53GW by 2030, while 10% of total domestic primary energy demand should be met by PV by 2050. Then, in 2012, the Ministry of Economy, Trade and Industry ("METI") introduced a generous FIT programme to boost the uptake of solar. Japan added roughly 12.3GW of solar capacity in 2015, with installations expected to peak at 14GW in 2016, but to gradually decline from 2017 as grid access, financing and land acquisition become more difficult, according to a new report by Bloomberg New Energy Finance ("BNEF"). Cumulative installations in Japan reached 36GW by end of 2015.

USA
The USA installed 7.3GW in 2015, which was slightly below market expectations but brought cumulative installations to over 25GW, up from 2GW in 2010. The US House of Representatives has passed an amendment to extend the solar Investment Tax Credit ("ITC") until 2022.

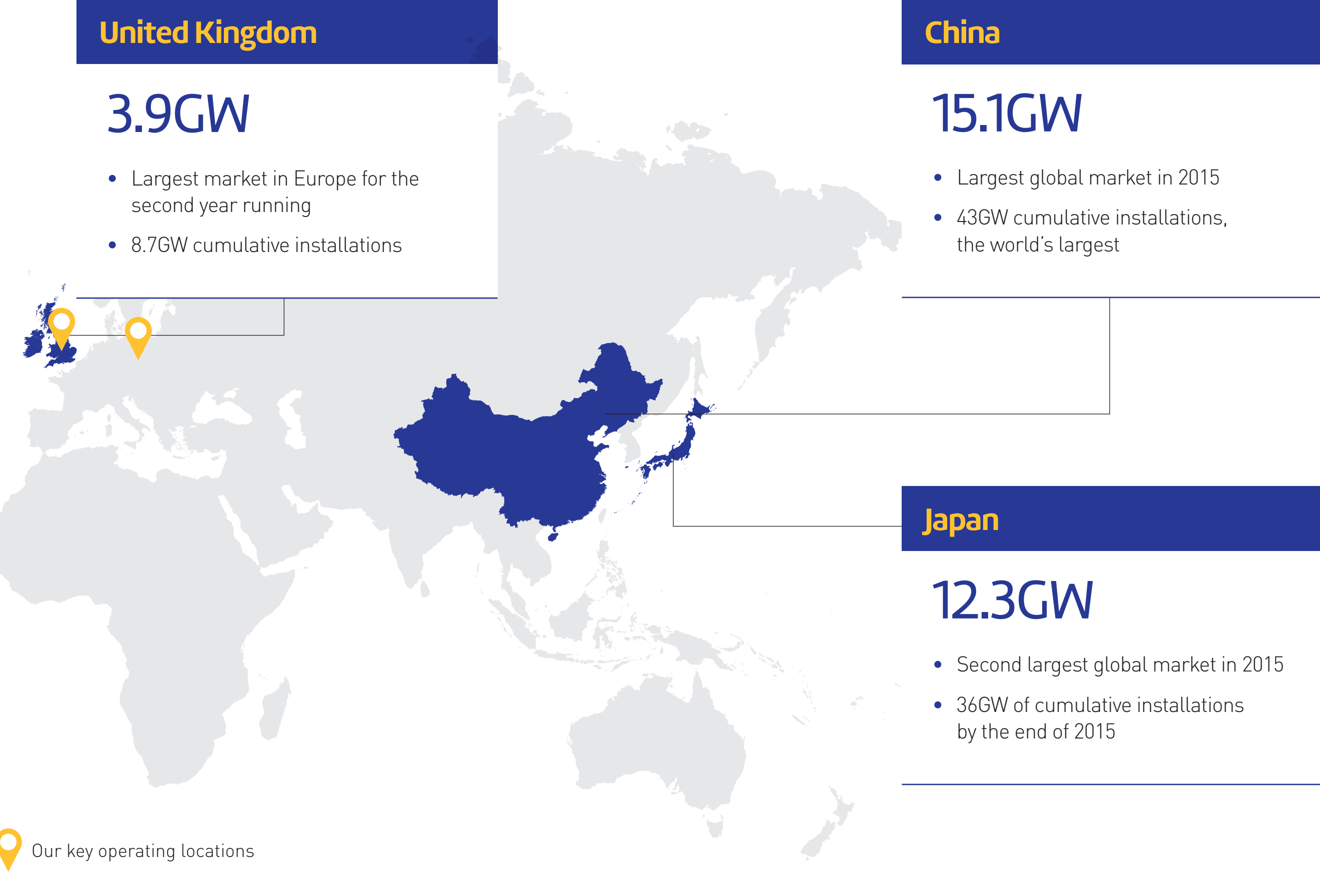
The tax credit rate under the ITC was originally to be scaled back from 30% to 10% at the end of 2016. Under the amendment, ITC will be extended to 2022, during which the rate will be reduced gradually and subsidies given will vary according to the installation schedules of each PV system. As a consequence the US market will not now see the initially anticipated installation rush in 2016, followed by a sharp demand decline that was also expected to drag down the global PV market in 2017. Energy Trend, therefore, has lowered the US installation forecast for 2016 from 11.5GW to 9GW.

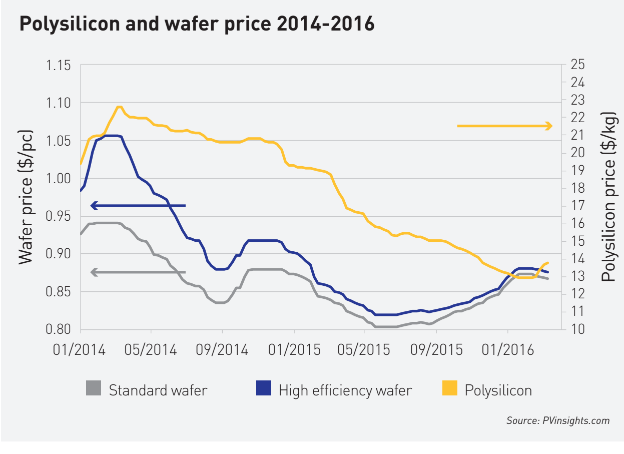
UK
The UK installed 3.9GW in 2015 and was the largest market in Europe for the second year running accounting for almost 50% of the 8GW installed in the region. Cumulative installations reached 8.7GW by the end of 2015, making the UK the third largest in Europe after Germany and Italy.

France
The French PV market continues to show modest growth, and France now hosts Europe's largest solar PV installation located across 250 hectares near Bordeaux. The 300MW facility will produce solar energy cheaper than new nuclear plants.

France's Ministry of Energy, Ecology and Sustainable Development ("MEDDE") has released data which shows 879MW of PV was installed in 2015 making France the third largest market in Europe. MEDDE also reports that a further 559MW of PV plants have signed interconnection agreements but have not yet been connected to the grid. Total installed capacity reached 6.5GW by the end of 2015.

In December 2015 the French Government announced the results of its CR3 tender and awarded 800MW of PV projects which must be completed within a two-year period. The carbon footprint of the complete module is a critically important factor for these projects. A new PV tender is expected to be released in early 2016.





International trade disputes

There has been little change in the disputes that have plagued the PV industry in recent years. China has maintained its anti-dumping duties of up to 57% on polysilicon imports. The highest duties are applied to imports from the USA while some Korean companies receive only relatively modest duties of 2.4%. Imports from German company Wacker Chemie are spared duties because of "price commitments" given to the Chinese Ministry of Commerce ("MOFCOM").

The USA maintains duties on imports of Chinese modules which were first imposed in 2012. In July 2015, however, the US Department of Commerce announced some adjustments to the anti-dumping ("AD") and anti-subsidy rates ("AS") which resulted in most tier 1 companies receiving modest cuts to AD rates which were partially offset by increases to AS rates. The net outcome is that combined tariffs of around 30% are now applied.

The European Commission ("EC") has launched an expiry review of anti-dumping measures imposed on imports of Chinese PV modules which were introduced in 2013. The measures, which included a minimum module price of €0.56/W agreed in a negotiated settlement, were due to expire in December 2015. Following complaints that dumping would likely resume if the price agreement was removed, the measures will continue while the EC conducts an investigation which must be completed by March 2017.

Following an investigation launched in mid-2015, the EC concluded that Chinese firms have been circumventing European trade anti-dumping and subsidy duties by transhipping PV modules via Malaysia and Taiwan. The EC found that modules imported into the EU from non-cooperating companies and those found to be falsifying origin in the two countries accounted for 16% of EU module imports. Anti-dumping and anti-subsidy duties of 53.4% and 11.5% have been imposed respectively for those firms found to have been enabling circumvention of duties. Importers will be liable for duty payments on non-compliant modules backdated to May 2015 when the investigation was launched.

Whilst the strategic review remains ongoing the Group will continue to produce wafers and to operate in cash conservation mode in 2016.

Our long-term strategy	How we will achieve this in 2016	2015 priorities
Cash conservation	• Ingot production output aligned to wafering capacity • Retain operational capabilities • Reduce polysilicon inventory by producing wafers and trading excess polysilicon • Focus on securing favourable outcome in arbitration proceedings	• Ingot production output at approximately 30% of capacity • Retain operational capabilities • Trading excess polysilicon to manage inventory levels
Continued focus on operating cost reductions	• Other supplier price reductions • Production efficiencies • Higher yields	• Negotiate improved polysilicon pricing • Other supplier price reductions • Production efficiencies • Higher yields
Focus on further developments of the leading silicon processing technology	• Working with customers to increase product quality and develop the next generation of wafer technology	• Working with customers to increase product quality and develop the next generation of wafer technology
Continued focus on major PV companies	• Enhanced relationships with existing customers • Developing new customers	• Enhanced relationships with existing customers • Developing new customers

Cash conservation focus

The Group will continue to operate in cash conservation mode with ingot output aligned to our wafering capacity. Current wafer and polysilicon spot pricing means that wafer prices now exceed the Group's cash cost of production. The Group has significant polysilicon inventory and under current circumstances conversion into wafers is now a more favourable option than trading the surplus polysilicon at market prices.

KPIs

Wafer shipments	Revenue from operations	LBT	Net cash used in operating activities
203MW	**€64.5m**	**€(13.7)m**	**€(12.9)m**
2014: 212MW	2014: €53.3m	2014: €(4.7)m	2014: €(15.7)m

Free cash flow on continuing activities*	Net cash	Inventories	Basic loss per share
€(12.8)m	**€12.7m**	**€23.2m**	**€(0.088)**
2014: €(16.0)m	2014: €24.6m	2014: €28.6m	2014: €(0.030)

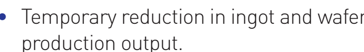
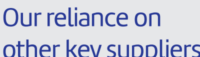
* Free cash flow is defined using net cash from operating activities less cash used in investment activities less interest received.

Effectively managing the risks the Group faces.

One of the key mitigating strategies is the continuation of the cash conservation measures described in the Operational Review. The key risks to which the Group is exposed are described below.

The Group might be affected by a number of risks, which may have a material adverse effect on our reputation, operations and/or financial performance. The risks associated with the Group's financial instruments are detailed in note 28 in the Notes to the Consolidated Financial Statements.

The Group is exposed to a number of other risks, some of which may have a material impact on its results. It is not possible to identify or anticipate every risk that may affect the Group, some of which may not be known or may not have been assessed. Our overall success as a global business depends, in part, upon our ability to succeed in different economic, social and political environments and manage and mitigate such risks.

Principal risks	Nature of risk	Mitigating actions	Risk status
Price of wafers on the spot market returns to below cash cost of production	Until recently the cash cost of wafer production exceeded the spot market price. Following recent changes to the relative spot prices of polysilicon and wafers, wafer prices now exceed the Group's cash cost of production. The Group no longer has significant active long-term contracts that provide pricing protection so there is a risk that if the relative prices of polysilicon and wafers return to historic levels then the Group would be unable to recover the cash cost of production.	• Lowering production costs. • Temporary reduction in ingot and wafer production output.  • Continuing cash conservation measures. • Maintaining a strong balance sheet which gives the Group the strength to weather the ongoing price squeeze.	
Loss of a key production facility could disrupt our ability to deliver contracted wafer volumes and to retain core production capabilities	The Group has operations at different stages in the value chain. The loss of a facility at any stage would impact the Group's ability to fulfil contracted wafer or to retain core production capabilities. During 2015 the Group decommissioned part of the UK ingot manufacturing capacity and suspended wafering at our subcontractor in Japan.	• We are currently producing ingots at levels considerably below capacity due to our cash conservation activities. • Ingot manufacturing is carried out in the UK, where the Group has two separate facilities on one site available for production. • We have health and safety, fire prevention and security procedures in place at all facilities. • We have comprehensive property damage and business interruption insurance in place.	
 Our reliance on other key suppliers	The Group is solely reliant on certain key suppliers for some goods and services. Should any of these key suppliers cease supply it might impact the Group's ability to meet production targets.	• We have long-term relationships which help protect our access to goods and services provided by our key suppliers. • We look to develop relationships with alternative suppliers so that we could obtain those goods and services, if required.	

Principal risks	Nature of risk	Mitigating actions	Risk status
Shrinking customer base	With many companies exiting the PV industry either voluntarily or through insolvency and the increasing dominance of Chinese players the accessible customer base is reducing. The Group is dependent on a small number of customers for its sales and the loss of any major customer either to a competitor or through its own business circumstances might impact significantly on the Group's financial condition.	• Where possible we concentrate on customers that are financially strong with a clear strategic vision for the PV industry and accordingly have the potential to be long-term major players in the industry. • We work in partnership with our customers to ensure that the quality, specifications and efficiency of our wafers are suitable for their current and future needs. • We are continuing to develop new customers and broaden our customer base.	
Contracted polysilicon feedstock exceeds our own internal requirements	During 2015 the Group obtained polysilicon feedstock through two long-term contracts, where contract pricing was significantly above market pricing. Due to our reduced wafer production output the contracted volume was significantly in excess of the Group's requirements. The larger contract ended at the end of 2015 and the volumes under the remaining contract are consistent with current production levels. The Group has significant polysilicon feedstock inventory.	**2015 actions** • We looked to obtain flexibility in terms of price, volume and timing of deliveries by negotiating amendments to the terms of our long-term contract with suppliers. **2016 mitigation** • As a result of the ending of the larger contract this risk is greatly reduced for 2016. In the event of any reduction in our production output then we would look to trade increased volumes of polysilicon feedstock. **Both years** • We have and will continue to trade volumes of polysilicon feedstock in order to manage cash flows.	
Foreign exchange exposure	The majority of sales are invoiced in US Dollars whilst the majority of costs are in Euros, Yen and Sterling. Significant changes in foreign currency could impact the Group's income statement.	• Certain purchase costs are agreed based on the US Dollar price but the transaction takes place in either Euros, Yen or Sterling. • Previously polysilicon purchase negotiations took account of the US Dollar spot price. During 2015 the prices and volumes under the larger polysilicon purchase contract were negotiated on a quarterly basis. This contract has now ended and the Group has large polysilicon inventories.	

Risk status

Increase in risk level

No change in risk level

Decrease in risk level

A summary report is included here; a fuller report can be found on the Company's website at www.pvcrystalox.com.

The environment

Our product

The Group is a leading producer of multicrystalline silicon wafers for the production of solar cells. These cells are processed into solar systems used for the generation of renewable electricity with a lifetime in excess of 25 years, providing electricity for a known starting cost and with minimal maintenance. Depending on the system's location, it has been estimated that the total energy used in the production of a silicon solar system will be recovered within a period of two to three years.

Our processes

It is the Group's policy to:

- seek to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of all business interests while continuing to produce high quality products which meet customer requirements;
- comply with all statutory environmental legislation as a minimum and aim to improve upon the standards set by the local regulatory authorities; and
- foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

Waste and recycling

The Group has effective environmental management and health and safety systems in place, in support of, and to complement, its quality assurance systems. Across all its sites in the UK and Germany a proactive approach is taken to the pre-treatment of waste as required by the EU Landfill Directive. The purpose of this treatment requirement is to reduce the impact of waste sent to landfill and to increase the amount of waste that is recycled.

Environmental management systems

We recognise the need to establish, formalise and apply an environmental management system at each of our manufacturing sites. Therefore, in order to enhance further its already effective environmental and health and safety management systems:

- Crystalox in the UK continues on its programme to achieve environment and health and safety accreditations; and
- the site in Erfurt, Germany, has been carrying out an environmental audit in each of the last ten years, focusing on the consumption of water, electricity and on the emission of waste materials.

These high standards complement and consolidate Crystalox and the Erfurt operation's EN ISO 9001 status, further fulfilling our responsibility to the environment and health and safety.

Our staff

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

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.

Gender diversity

The following table sets out a breakdown by gender showing at 31 December 2015: (i) the number of persons who were directors of the Company; (ii) the number of persons who were senior managers of the Group (other than persons falling within sub-paragraph (i)); and (iii) the number of persons who were employees of the Group.

	Number of men	%	Number of women	%
Directors	3	100.0	—	0.0
Senior managers	6	85.7	1	14.3
Other employees	93	72.7	35	27.3

Training

The Group recognises that a key factor in its successful operations is its personnel. At all sites management's top priority has been to provide a safe and secure work environment for all. To this end, health and safety training has been of paramount importance.

Initial in-house health and safety induction training for all personnel joining is supported by external specialist trainers for occupation-specific training. During 2015 fire safety awareness training was undertaken by selected staff at each site as well as first aid training and manual handling training.

A voluntary health management programme was run for all staff in Erfurt in 2015.

The Group is committed to the ongoing training and development of its personnel. Particular skills-based training is provided to individuals when identified and seen as beneficial to the overall operation of the Group. The introduction of new technologies and new and efficient working methods has resulted in personnel being trained to both develop and hone their knowledge and skills. A flexible work environment has meant that personnel are given the chance to work in different departments, thereby helping them maximise their potential and sense of fulfilment.

In Germany, the Group has been running an apprenticeship programme for a number of years and in the UK we enrolled our first apprentice during 2014. Currently, there are eight young people in Erfurt enrolled in technical and administrative jobs. The intention of the programme was that after a three-year period these apprentices would have the chance to become permanent members of staff. For some of the apprentices the programme enables them to continue with their studies to obtain a degree in engineering.

Health and safety

The Group recognises its responsibilities under health and safety legislation in each country of operation to ensure, so far as it is reasonably practicable, the health, safety and welfare of all its employees. Group policy is to take all reasonable precautions to prevent accidents and dangerous occurrences and for the creation of working conditions which safeguard employees. The Group attaches the greatest importance to health and safety, considering this to be a management responsibility. To this end the Group will allocate the necessary resources and enlist the active support of all employees upon whom duties are also imposed by health and safety legislation. The Group regards the standards set by the various relevant statutory provisions as the minimum standards which must be achieved and endeavours to improve upon these where reasonably practicable.

In the UK health and safety management was supported by the appointment of health and safety representatives from key departments as well as the health and safety steering committee which met at monthly intervals throughout the year to monitor performance and promote a safe working environment within the business. In Erfurt five safety representatives are appointed onto the health and safety committee, which met for four quarterly meetings in 2015.

The total number of reported work related accidents in the UK increased from 0.0006 in 2014 to 0.0010 accidents per day worked in 2015. There were no work related accidents in Erfurt or in the UK in 2014 or 2015 where employees were absent for three days or more.

Human rights

With regard to human rights, commentary has not been included as it is not considered necessary for an understanding of the development, performance or position of the Group's business.

PV Crystalox Solar greenhouse gas emissions

This is our third greenhouse gas ("GHG") emissions report in line with UK mandatory reporting requirements as set out under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

The Group's emissions have been calculated based on the UK Government's Environmental Reporting Guidance. Emissions reported correspond with our financial year. We are reporting the direct emissions from combustion of fuel in PV Crystalox Solar facilities (scope 1) and indirect emissions resulting from electricity purchased by PV Crystalox Solar (scope 2). These emissions cover the operation of ingot production, block production and head office activities in the UK, the wafer production activities in Germany and running our sales and logistics office in Japan.

Emissions are predominantly from gas and oil combustion and electricity use at our manufacturing facilities. We have used conversion factors provided in the "UK Government conversion factors for company reporting" for UK and Japan emissions and have taken into account the local electricity mix for the conversion factor for our German operations.

We have used tonnes of CO_2 per MW of wafer shipments as an intensity measurement. It should be noted that in 2015 a proportion of shipments were from wafer inventory whereas in 2014 shipments and production of wafers were broadly the same. It should be noted that using the revenue figure from the financial statements would include sales of surplus polysilicon in addition to wafer shipments. The management team will continue to monitor and review the appropriateness of the intensity ratio.

	2015 (tonnes CO_2 equivalent)	2014 (tonnes CO_2 equivalent)
Scope 1		
Direct emissions from combustion of fuel in PV Crystalox Solar facilities	**213**	207
Scope 2		
Indirect emissions resulting from electricity purchased by PV Crystalox Solar	**10,050**	14,259
Scope 1 and Scope 2	**10,263**	14,466
Intensity measurement		
Tonnes CO_2/MW of wafer shipments	**50.6**	68.2

Directors' approval statement

This Strategic Report as set out on pages 01 to 13 has been reviewed and approved by the Board of Directors.

Iain Dorrity
Chief Executive Officer
16 March 2016

Strategic report

Governance

Financial statements

This Corporate Governance Statement describes our approach to governance and highlights a number of the actions we have taken during the year.

John Sleeman, Chairman

Dear Shareholder

The Board is mindful of its responsibilities to the Company's shareholders and key stakeholders to ensure the Company has the right people, systems and processes in place to manage risk and deliver the Group's agreed strategy. As Chairman, I am responsible for ensuring that the Board operates effectively with well informed directors asking the right questions and setting the right tone from the top.

This Corporate Governance Statement describes our approach to governance and highlights a number of the actions we have taken during the year.

Compliance

The Company has previously reported as a smaller company against the UK Corporate Governance Code 2012 (the "2012 Code") on a "comply or explain" basis and intends to continue to do so. The UK Corporate Governance Code 2014 (the "2014 Code") is applicable to all premium listed companies for the 31 December 2015 year end. The Board has determined that, because of the size of the Group and the cash conservation mode that the Group continues to operate under, applying the additional requirements of the 2014 Code relating to the longer-term viability of the Company (C.2.2) or the continued monitoring of the effectiveness of internal controls (C.2.3) would not be in the best interests of the Group.

As a standard listed company on the Official List the Company is fully compliant with applicable governance requirements. The Company is compliant against the 2012 Code except for those provisions relating to board and committee composition. These exceptions are detailed on page 15.

Board balance and independence

Throughout the year the Board had two non-executive directors, a Chairman who was independent on appointment, an independent non-executive director, Michael Parker, who is deemed to be independent in accordance with the 2012 Code, and one executive director. The Board believes, given the current circumstances, that this composition is the most appropriate for the time being. Further details are set out on page 15.

Committee composition from June 2016

The ninth anniversary of my appointment to the Board will take place in June 2016. The terms of reference of the Audit, Nomination and Remuneration Committees permit appointments to the respective Committees for nine years (i.e. three periods of three years). In the normal course of events I would stand down from those Committees in June 2016 and a new non-executive director would need to be appointed. The Board believes that given the current circumstances the most appropriate course of action is that I should remain on those Committees.

Performance evaluation

Due to the reduced scale of operation and the cash conservation strategy, the Board agreed to carry out an internal review. I led this review supported by the Group Secretary. The review found that the Board is operating effectively.

The performance of the individual directors was evaluated and my performance was evaluated by the Senior Independent Director and the Chief Executive Officer.

The performance of the Board, its Committees, the individual directors and the Chairman were all found to be effective. Further details are set out on page 16.

John Sleeman
Chairman
16 March 2016

Compliance

Since October 2013 the Company has been a standard listed company on the Official List. As a standard listed company the governance levels are lower than those that apply to premium listed companies. The Company is fully compliant with the governance requirements of a standard listing.

A premium listed company is now required to comply with the super equivalent provisions which are contained in the 2014 Code. The Board has determined that, because of the size of the Group and the cash conservation mode that the Group continues to operate under, applying the additional requirements of the 2014 Code relating to the longer-term viability of the Company (Section C.2.2) or the continued monitoring of the effectiveness of internal controls (Section C.2.3) would not be in the best interests of the Group.

Throughout the year ended 31 December 2015, the Group complied with all the provisions set out in the 2012 Code except that those provisions relating to board and committee composition, namely Sections B.1.2, B.2.1, C.3.1 and D.2.1. The Board believes that the current structure with a non-executive Chairman who was independent on appointment, one independent non executive director and one executive director is appropriate at present. As a result the Company was not compliant with:

- Section B.1.2, which states that except for smaller companies, at least half of the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non executive directors.
- Section B.2.1, which states that a majority of members of the nomination committee should be independent non-executive directors.
- Section C.3.1, which states that the board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.
- Section D.2.1 states that the board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chairman.

Board of Directors

The Board is primarily responsible for the success of the Group by providing leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Matters reserved for the Board

The Board has a formal schedule of matters reserved to it for its decision. This schedule is reviewed annually and includes approval of:

- Group objectives, strategy and policies;
- business planning;
- substantial transactions, contracts and commitments;
- review of performance;
- risk assessment;
- dividends;
- appointments to the Board and as Group Secretary; and
- senior management appointments and succession plans.

Other specific responsibilities are delegated to Board Committees, which operate within clearly defined terms of reference. Details of the responsibilities delegated to Board Committees are given on pages 18 to 28.

Board balance and independence

During the year the Board consisted of two non-executive directors, a Chairman who was independent on appointment and an independent non-executive director, Michael Parker who is deemed to be independent in accordance with the 2012 Code, and the Chief Executive Officer.

The Chairman is presumed under the 2012 Code not to be independent. The Board considers Michael Parker to be independent and he is the recognised Senior Independent Director who is available to shareholders if they have any relevant issues or concerns. Brief biographical details of all members of the Board are set out on page 17.

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

The non-executive directors entered into arrangements for initial three-year periods and their appointments continue subject to re-election at each AGM or six months' notice in writing from either party. The terms and conditions of appointment of the non-executive directors can be inspected at the Company's registered office and will be available for inspection at the Annual General Meeting. John Sleeman was appointed on 11 June 2007 and Michael Parker was appointed on 1 January 2010.

The Board has established a separate Nomination Committee and details of its responsibilities and activities are on page 18.

Board meetings

The Board meets at least six times per annum and at other times according to business requirements. During 2015 there were eight Board meetings and a meeting in November 2015 where the Board met offsite to consider the Group's strategy and to review key business issues. Meetings are held in central London and at the Group's operating subsidiaries: at Abingdon in the UK; and at Erfurt in Germany. When the Board meets at the Group's operating subsidiaries the Board will have a detailed presentation from the subsidiary directors at that location and an opportunity to review the operation and to meet local management. During 2015 the number of Board and Committee meetings with individual attendances was as follows:

	Board	Audit	Remuneration	Nomination
Iain Dorrity	8/8	2/2	3/3	2/2
Michael Parker*	8/8	2/2	3/3	2/2
John Sleeman*	8/8	2/2	3/3	2/2

* Non-executive directors.

Board support

All directors have access to advice and services from the Group Secretary. The appointment and removal of the Group Secretary is a matter for the Board as a whole. The Group Secretary is responsible for advising the Board on all governance matters, ensuring Board procedures are followed and applicable rules and regulations are complied with. The directors are free to seek any further information they consider necessary and directors can obtain independent professional advice at the Group's expense.

Information, induction and professional development

The Chairman, assisted by the Group Secretary, is responsible for ensuring that the Board receives appropriate and timely information on all relevant matters.

On appointment to the Board, new directors receive background reading about the Group and details of Board procedures and other governance related matters. In addition, the directors participate in a comprehensive induction programme,

Information, induction and professional development continued

including site visits to the Group's operations and meetings with the executive directors and senior management across the Group.

The Chairman regularly reviews and agrees with each director their training and development needs as part of the succession planning process. Directors receive ongoing training and updates on relevant issues as appropriate, taking into account their individual qualifications and experience. The Group Secretary helps directors undertake any other professional development they consider necessary to assist them in carrying out their duties.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are separated and their responsibilities are clearly established. The Chairman is responsible for the leadership and workings of the Board and ensuring its effectiveness and the Chief Executive Officer is responsible for the implementation of strategy and policies and the day-to-day decision making and administration.

Other significant commitments of the Chairman, John Sleeman, are set out in the Directors section on page 17. The Board is satisfied that these commitments do not restrict him from effectively carrying out his duties as Chairman.

Performance evaluation

The directors believe that an effective Board is vital to the success of the Group and, as a result, undertake a thorough evaluation each year in order to assess how well the Board, its Committees, the directors and the Chairman are performing. The aim is to improve the effectiveness of the Board, its Committees and ultimately the Group's performance. The process is led by the Chairman and is supported by the Group Secretary. The Board believes that in normal trading circumstances a combination of external reviews every third/fourth year with internal reviews in the other intervening years is the most appropriate method for evaluating effectiveness. The Board decided that, in view of the cash conservation measures being taken throughout the organisation, the next external review would be postponed until the Group enters a more normal trading environment. As a result an internal evaluation was undertaken this year.

The performance of the Chief Executive Officer was evaluated by the Chairman and the Senior Independent Director. The performance of the Senior Independent Director was evaluated by the Chairman and the Chief Executive Officer. Following the review process, the Chairman concluded that both directors continue to make an effective contribution to the work of the Board, are well prepared and informed concerning items to be considered by the Board, have a good understanding of the Group's businesses and that their commitment to the role remains strong.

The Senior Independent Director together with the Chief Executive Officer evaluated the performance of the Chairman and concluded that the Chairman operated effectively in his role.

As was highlighted above, the Board carried out an internal evaluation of its effectiveness by a process which involved a structured discussion at a Board meeting in January 2016. The process was led by the Chairman with the assistance of the Group Secretary. The discussion focused on: the Board's roles and responsibilities; the Board's culture and dynamics; the Board's processes; and the role of the Chairman. The review concluded that the Board was operating in an effective manner.

The Audit, Nomination and Remuneration Committees carried out internal evaluations of their effectiveness at meetings in January 2016 and March 2016. The process for each review was similar to that used for the Board's effectiveness review. The reviews concluded that each Committee was operating in an effective manner.

Relations with the 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 AGM is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The Chief Executive Officer makes a presentation there on the Group's progress. The Chairman, the Chief Executive Officer, and the chairmen of the Audit Committee and the Remuneration Committee 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.

The totals of proxy votes on each resolution, including details of any votes withheld, are announced at the meeting after each resolution has been dealt with on a show of hands and the full proxy voting results are announced through a regulatory news service and on the Company's website. In the event of a close result as indicated by the proxies held by the chairman of the meeting, the chairman would call a poll but this has not proved necessary at any of the AGMs to date. The Board believes that the immediacy of voting on a show of hands with the proxy votes immediately being announced, rather than a laborious process of conducting a formal poll on every resolution, is appreciated by the shareholders who attend the meeting.

During the year the executives maintained a regular programme of visits and presentations to major institutional shareholders in the UK. All directors receive copies of articles concerning the Group and are updated by the Group's financial advisers on investors' perceptions of PV Crystalox Solar.

There were formal presentations following the preliminary and interim results and in addition the Group issued a trading update on 10 February 2016. The requirement in the Disclosure Rules and Transparency Rules to publish interim management statements was removed in November 2014 and as a result the Group no longer publishes such statements.

Key announcements, financial reports, the presentations referred to above and other information about the Group can be found on the Group's website at www.pvcrystalox.com.

Accountability

The Board aims to present a balanced and understandable assessment of the Group's position and prospects in all reports and other price-sensitive disclosures, 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 31 and those of the auditors on pages 32 to 35. A statement on going concern appears on page 05.

Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are on pages 19 to 26. It sets out a summary of the Group's policy and the full details of all elements of the remuneration package of each individual director.

The Board of Directors comprised three extremely experienced individuals.

John Sleeman
Chairman

John Sleeman graduated in Physics from the University of Durham and started his career at Deloitte & Touche in 1970 where he qualified as a Chartered Accountant before moving in 1975 to Samuel Montagu where he qualified as a Chartered Banker and held various corporate and project finance advisory roles, becoming a director in 1989.

Following its acquisition by HSBC, he held directorships with a number of companies within the HSBC Group, and from 2000 to 2003 was managing director, head of international team, corporate finance.

After that, John was an independent director of OSJC Power Machines (from 2003 to 2008), the Russian power generation equipment manufacturer 25% owned by Siemens AG, and an independent director of JSC Open Investments (from 2005 to 2009), the Russian real estate group.

He was appointed as non-executive director and Senior Independent Director at PV Crystalox Solar in June 2007 and became the Chairman in May 2013. He is chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

In 2006 John was a founding partner of, and since 2015 has been senior adviser to, S.P. Angel Corporate Finance LLP. In 2014 he was appointed as non-executive director of Unitech Corporate Parks Plc.

Iain Dorrity
Chief Executive Officer

Iain Dorrity has a PhD in Physical Chemistry from Exeter University. He joined the Company 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 GmbH and Crystalox Limited, he became a member of the board of PV Crystalox Solar GmbH in 2002 and a member of the Board and Chief Executive Officer of the Company on its formation in December 2006.

Iain has over 30 years' experience in crystal growth and semiconductor materials with an emphasis latterly on multicrystalline silicon technology. Prior to joining Crystalox, he spent eight years working in research and in industry with General Electric Company.

Michael Parker
Non-executive director

Mike Parker received a Bachelor's degree in Chemical Engineering from the University of Manchester and an MBA from Manchester Business School. He began his career with Dow in 1968. During his 34 years there he was based in the US, the UK, Switzerland and Hong Kong. He became president and chief executive officer of The Dow Chemical Company in Midland, Michigan, USA, in 2000 and a member of the company's board of directors from 1995 to 2003.

He was subsequently appointed group chief executive of British Nuclear Fuels (a manufacturer and transporter of nuclear products) from 2003 until 2009.

He joined the PV Crystalox Solar Board as non-executive director in 2011 and he became Senior Independent Director in May 2013. He is chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee.

His directorships with quoted companies include SNC-Lavalin, in Canada, which he joined in 2010 as non-executive director, and Laird PLC where he was appointed as senior independent director in March 2015.

Mike is involved with a variety of charities and not-for-profit organisations including the Royal Liverpool University Hospital as chair of the BioCampus Board; Street League, a national charity that utilises football to engage with inactive 16–25 year olds, as chairman; and Alder Hey on the Children's Charity Capital Appeal board. He is a trustee and chairman of the Royal Society for Prevention of Accidents ("RoSPA"), a trustee and honorary secretary of the Energy Institute and a member of the Manchester Business School advisory board.

Mike was awarded a CBE in the New Year Honours 2009 for services to the energy industry.

Message from the chairman of the Nomination Committee

Dear Shareholder
During the year the Nomination Committee focused its activities on those governance areas which require annual consideration.

We have a schedule of matters for annual consideration and specific responsibilities should there be a need to recruit a director or chairman, or to make recommendations for appointments to the Board's Committees or for the role of Senior Independent Director.

Full details of the Nomination Committee's roles and responsibilities are contained in the terms of reference which are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

Further details are described more fully below.

John Sleeman
Chairman of the Nomination Committee
16 March 2016

Membership
The Nomination Committee comprises both of the non-executive directors and is chaired by John Sleeman. The Chief Executive Officer and external advisers may be invited to attend meetings as and when appropriate. The Group Secretary, who is also the Chief Financial Officer, acts as the Secretary of the Nomination Committee.

Meetings
The Nomination Committee meets at least twice a year and reports to the Board on its proceedings. The Nomination Committee met twice during the year. Details of attendance are shown in the Corporate Governance Statement on page 15.

Effectiveness
As detailed on page 16, an internal evaluation was conducted during the year which confirmed that the Nomination Committee was operating effectively.

Role
The Nomination Committee has a number of responsibilities as set out in its terms of reference. In summary the key roles are to:

- review the Board structure, size and composition (including the skills, knowledge, experience and diversity) compared with its current position and make recommendations to the Board with regard to any changes;
- consider succession planning for directors and other senior executives; and
- make recommendations to the Board regarding the appointment, re-appointment and retirement of directors.

Activities of the Nomination Committee
Set out below are the key matters considered by the Nomination Committee during the year and subsequently.

Structure, size and composition of the Board
The Nomination Committee regularly reviews the structure, size and composition of the Board compared to its current position.

The Nomination Committee carried out a review in January 2016 and recommended that the structure, size and composition of the Board remained appropriate despite the Group not being compliant with certain provisions of the Code relating to board and committee composition.

Succession planning
Succession planning is a key area of discussion and the Nomination Committee reviewed the capability of the senior management and directors and considered the succession plans for the executives.

Re-election of the directors
The Nomination Committee considered the effectiveness and commitment of each director standing for re-election at the 2016 AGM and, having concluded that their performance continues to be effective, recommends the re-election of each director to shareholders.

Diversity
The Nomination Committee noted the revised guidance provisions relating to the Board's policy on gender diversity but observed that there had not been any external recruitment at senior management or Board level for several years and that there were no current plans for recruitment at a senior level during 2016.

It noted that the Group had a non-discriminatory recruitment policy; however, with the current recruitment plans, the Committee did not believe that it was appropriate to set measurable objectives on actively seeking gender diversity at this time.

Terms of reference
The Committee carried out a review of the terms of reference to ensure they are consistent with the recommendations contained in the ICSA Guidance on Terms of Reference Nomination Committee. As there have not been any changes to the guidance since the previous review in January 2015 the Nomination Committee has not recommended amending the terms of reference. These are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

Annual statement by the chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2015, which details a summary of the remuneration policy for the directors of PV Crystalox Solar and provides details of their remuneration in respect of the year ended 31 December 2015.

The remuneration policy was put to shareholders for approval in a binding vote at the 2014 AGM on 22 May 2014. It was approved at the AGM and it was effective from the day following the AGM and may operate for up to three years. No changes are proposed this year. A summary table showing the main aspects of the remuneration policy is set out on pages 20 to 22 and the full remuneration policy can be found on our website at www.pvcrystalox.com.

The Annual Report on Remuneration (set out on pages 22 to 26), which describes how the policy has been implemented in the year under review and how it will be implemented for the year ahead, will be subject to an advisory vote at the AGM.

2015 key items considered

2016 remuneration

The Remuneration Committee is mindful of the provisions and recommendations of the 2012 Code and associated guidance that a significant proportion of remuneration for executive directors should be structured so as to link rewards to corporate and individual performance and that it should be designed to promote the long-term success of the Company.

The following proposals for the Chief Executive Officer's remuneration were proposed by the Remuneration Committee and agreed by the Board:

- the base salary of the Chief Executive Officer to remain at the 2015 level;
- participation in an annual bonus plan for 2016 with performance conditions based on share price increases during the 2016 financial year; and
- there will not be a long-term incentive award for the performance period from 1 January 2016 to 31 December 2018.

The Remuneration Committee approved management's proposal that there be no increase in salaries, from 1 January 2016, for any of the Group's employees in the UK and Germany.

The Remuneration Committee approved an annual bonus scheme for certain Group employees, linking the value of their award to the Company's share price.

Due to the composition of the Remuneration Committee the Board is responsible for determining the fees of the non-executive directors. The Board agreed to leave the fees at the same level as in 2015.

Governance

As detailed on page 16, an internal evaluation was conducted during the year which confirmed that the Remuneration Committee was operating effectively.

The Committee carried out a review of the terms of reference of the Remuneration Committee to ensure they are consistent with the recommendations contained in the ICSA Guidance on Terms of Reference Remuneration Committee. As there have not been any changes to the guidance since June 2013 the Remuneration Committee has not recommended amending the terms of reference. These are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

The Remuneration Committee met three times during the year. Details of attendance are shown in the Corporate Governance Statement on page 15.

The Remuneration Committee looks forward to your support of the remuneration policy at the 2016 AGM.

Michael Parker
Chairman of the Remuneration Committee
16 March 2016

The remuneration policy was approved at the 2014 AGM on 22 May 2014 and may operate for up to three years. No changes are proposed this year. Included in this summary remuneration policy section is a table showing the summary remuneration policy and an illustration of application of remuneration policy for the Chief Executive Officer. The full remuneration policy can be found on our website at www.pvcrystalox.com. In addition to the sections below the full remuneration policy includes the following additional sections: policy overview; consideration of employment conditions elsewhere in the Group; consideration of shareholder views; service contracts for executive directors; approach to recruitment and promotions; and approach to leavers.

Executive directors

Element of remuneration	Purpose and link to strategy	Operation
Base salary	To provide competitive fixed remuneration. To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy. Intended to reflect that paid to executive management of comparable companies. To reflect the market value of the individual, his or her skills, experience and performance.	In deciding appropriate remuneration levels, the Remuneration Committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group of listed companies of similar size and complexity. Base salaries are reviewed by the Remuneration Committee annually prior to the start of the salary year and on the occasion when an individual changes position or responsibility.
Benefits in kind	To provide competitive benefits in kind to ensure overall package is competitive. To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.	Provision of a range of benefits including some or all of: • a company car or car allowance; • private medical insurance; • income protection insurance; and • life assurance. Other benefits may be payable where appropriate.
Annual bonus scheme	Rewards annual achievement of performance targets in order to deliver the business strategy. Compulsory deferral into the Company's shares provides a link to the creation of long-term shareholder value and also retention element.	Measures and targets are set annually and pay-out levels are determined by the Remuneration Committee after the year end based on performance in the financial year against those targets. Half of each bonus will be payable in cash on the date of payment. The other half of each bonus will be deferred and payable in shares under the Executive Directors' Deferred Share Plan which will vest three years after the award date. Shall not be payable unless the executive director is employed on the date of payment. The annual bonus is not pensionable and there are no claw back or withholding arrangements.
Long-term incentive – Performance Share Plan ("PSP")	Rewards sustained performance against challenging long-term targets which are critical to the realisation of the business strategy. Designed to attract, retain and incentivise executive management over the longer term. To provide an appropriate motivational framework and to align more closely the interests of the executive management with the performance of the business and the interests of shareholders.	The current Performance Share Plan was approved at the 2012 AGM and is governed by the rules of the plan. A summary of the key features is set out below: • Conditional share awards or options over a fixed number of shares are granted based on the relevant percentage of a director's base salary and the closing share price on the date of the award. • Vesting of awards will be subject to a three-year performance period. • The awards will lapse if the participant leaves employment before vesting unless in specific "good leaver" circumstances. • Award levels and performance conditions will be determined each year by the Remuneration Committee.
Pension	To provide retirement benefits to ensure overall package is competitive. To attract, retain and motivate executive management of the quality required to run the Company successfully in order to deliver the business strategy.	Defined contribution arrangements into the Crystalox Group Personal Pension Scheme or such other pension plan suitable to the executive and his country of residence. Current contribution levels 8% employer contributions into a defined contribution scheme.

Non-executive directors

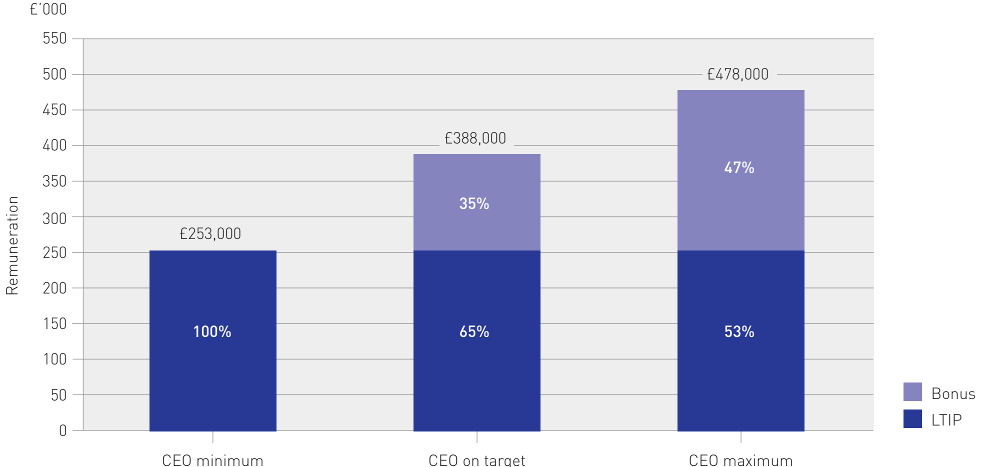
Element of remuneration	Purpose and link to strategy	Operation
Non-executive director fees	To reward individuals for fulfilling the relevant role. To reflect the time commitment and responsibilities of the roles of the individual non-executive directors. To attract, retain and motivate individuals with the necessary experience and ability to make a substantial contribution to the Group.	Cash fee paid. Fees are reviewed on an annual basis and are set by the Board. Expenses incurred by the non-executive director in the course of his employment are reimbursed in accordance with the Group's expenses guidelines. Fees are not subject to claw back or withholding arrangements.

Maximum	Performance targets
The Remuneration Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, a change in the scale, scope or responsibility of the role. Current salary levels are set out on page 23.	Individual and business performance is considered in determining base salary levels.
Benefits may include those currently provided as disclosed on page 23; however, the Remuneration Committee reserves the right to provide such level of benefits as it considers appropriate to support the ongoing business strategy.	Not performance related.
Maximum bonus only payable for achieving demanding targets. A maximum bonus of 100% of base salary.	Set annually by the Remuneration Committee based on various performance metrics (which will be determined by the Remuneration Committee) measured over the relevant financial year. Pay-out levels are based on: • a threshold performance level (the minimum level of performance that results in any payment), of 20% of maximum pay-out; • a mid-performance level, of 60% of maximum pay-out; and • a maximum performance level, of 100% of maximum pay-out.
Maximum value of awards made to participants in any financial year will not exceed 200% of their remuneration at the relevant date of award. If there are exceptional circumstances, however, that the Remuneration Committee considers justifies making awards in excess of this limit, participants may receive awards with a value of up to 400% of their remuneration at the relevant date of award. The last awards were made in 2011 to the Chief Executive Officer of 125% and to other executive directors of 100% of base salary.	The performance targets are set annually by the Remuneration Committee based on achievement of growth in both total shareholder return and earnings per share over at least a three-year performance period. The pay-out would be based on a matrix with pay-outs from 0% to 100% of maximum. The Remuneration Committee may set different performance conditions for future awards having regard to the Company's strategic priorities, shareholder expectations and market conditions prevailing at that time.
Pension provision may include those currently provided which are 8%; however, the Remuneration Committee reserves the right to provide such level of pension provision as it considers appropriate to support the ongoing business strategy.	Not performance related.

The Board is guided by the general increase in the non-executive director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on page 23.	Not applicable. Non-executive directors do not participate in variable pay arrangements.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the Chief Executive Officer's remuneration package for 2016 varies at different levels of performance under the policy, both as a percentage of total remuneration opportunity and as a total value. The figures are in Sterling as this is the currency in which the director is paid.



Notes

(1) The value of benefits receivable in 2016 is taken to be the value of benefits received in 2015 (as calculated under the directors' remuneration table, set out on page 23).

(2) The value of pension is as presented under the directors' remuneration table.

(3) The on-target level of bonus is taken to be 60% of the maximum bonus opportunity (100% of salary for executive directors).

(4) The Remuneration Committee has decided that there will not be an LTIP scheme in operation for 2016.

(5) No share price appreciation has been assumed for the deferred bonus shares.

Annual report on remuneration

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

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2014 and Rule 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the AGM to be held on 19 May 2016.

The Remuneration Committee

The Remuneration Committee is chaired by Michael Parker and is to be made up of a minimum of two non-executive directors. The Remuneration Committee comprises the Committee chairman and John Sleeman. The Chief Executive Officer, the head of human resources and external advisers may be invited to attend meetings as and when appropriate. The Group Secretary acts as the Secretary to the Remuneration Committee. The terms of reference of the Remuneration Committee are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com. The Remuneration Committee meets not less than twice a year and is required to report formally to the Board on its proceedings. Details of attendance at each meeting are shown in the Corporate Governance Report on page 15.

External advisers

The Remuneration Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference. During the year the Remuneration Committee did not seek advice from external advisers.

Implementation of the remuneration policy for the year ended 31 December 2016

A summary of how the directors' remuneration policy will be applied during the year ending 31 December 2016 is set out on the following pages.

Individual elements of remuneration

Annual base salaries and fees of the directors

Base salaries for the individual executive directors are reviewed annually by the Remuneration Committee and are set to reflect the market value of the individual, his or her skills, experience and performance and are intended to reflect those paid to executive management of comparable companies.

The fees for the non-executive directors are reviewed on an annual basis and are set by the Board to reflect the time commitment and responsibilities of the roles of the individual non-executive directors. The non-executive directors do not participate in any annual bonus or long-term incentive plans nor do they receive benefits in kind or pension contributions. There was no change in the level of fees for the non-executive directors for 2015.

Payable in Sterling	2016 annual rate £	2015 annual rate £	% change
Iain Dorrity	**225,000**	225,000	0.0
John Sleeman	**70,000**	70,000	0.0
Michael Parker	**40,000**	40,000	0.0

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

The structure of the annual bonus scheme is as approved by shareholders at the 2014 AGM and as described in the remuneration policy. The maximum award under the annual bonus will remain unchanged at 100% of salary. Threshold performance gives a pay-out of 20% with 60% earned for on-target performance. Half of any bonus will be paid in cash and half will be awarded in deferred shares under the PV Crystalox Solar Executive Directors' Deferred Share Plan which vest after a further three years.

In 2015

The Remuneration Committee sets the performance conditions which were based upon the increase in the Company's share price during 2015. Due to the difficult trading conditions the performance conditions were not achieved and no bonus was payable.

In 2016

The performance conditions have been set by the Remuneration Committee and are based upon the increase in the Company's share price during 2016.

Any awards of deferred shares under the Executive Directors' Deferred Share Plan will be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust. The trust has already acquired and will, from time to time, continue to acquire shares that will be available for award to employees (including executive directors).

Long-term incentives

Awards vesting in respect of the financial year

Performance Share Plan

The first awards under the Performance Share Plan ("PSP") covering the performance period from 1 January 2011 ending on 31 December 2013 were made on 26 May 2011 following the approval of the scheme by shareholders at the AGM on that date.

Under the PSP participants receive awards over shares with a value equal to a percentage of base salary at the date of the award as follows.

Participant	Award % of salary
Chief Executive Officer	125%
Other executive directors	100%

The pay-out under the scheme was based on achievement of performance targets for achieving growth in both TSR and EPS. Due to the difficult trading conditions the performance conditions were not achieved and as a result the PSP awards lapsed in 2014. No awards have been made under the PSP since the initial award in 2011 and no award has been recommended for 2016, for performance in the period from 1 January 2016 to 31 December 2018.

Pension arrangements

The executive director's contract of service set out his base salary 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. Iain Dorrity is entitled to a Company contribution of 8% (2014: 8%) of base salary. It should be noted that Company contributions for UK employees other than the executive directors are 8% provided that the employees contribute at least 4%.

Single total figure of remuneration (audited)

The table below reports the total remuneration receivable in respect of qualifying services by each director during the year.

Year ended 31 December 2015	Fees/base salary €	Benefits in kind €	Annual bonus €	Long-term incentives €	Pension related benefits €	Total €
Iain Dorrity	**309,848**	**13,911**	**—**	**—**	**24,788**	**348,547**
Michael Parker	**55,084**	**—**	**—**	**—**	**—**	**55,084**
John Sleeman	**96,397**	**—**	**—**	**—**	**—**	**96,397**
Total year ended 31 December 2015	**461,329**	**13,911**	**—**	**—**	**24,788**	**500,028**
Year ended 31 December 2014						
Iain Dorrity	279,198	12,653	—	—	22,336	314,187
Peter Finnegan (until May 2014)	129,258	5,548	—	—	7,756	142,562
Michael Parker	49,635	—	—	—	—	49,635
John Sleeman	86,862	—	—	—	—	86,862
Total year ended 31 December 2014	544,953	18,201	—	—	30,092	593,246

Single total figure of remuneration (audited) continued

The figures in the single figure table are derived from the following:

Fees/base salary	The amount of fees/salary received in the period.
Benefits in kind	The taxable value of benefits received in the period. These are car, car allowance, private medical insurance, income protection and life insurance.
Annual bonus	The performance conditions were not achieved in 2015 or 2014.
Long-term incentives	The value of the long-term incentive schemes that vest in respect of the financial year.
PSP: None have vested in 2014 or 2015	No executive director's contract contains additional provisions in respect of change of control.
Pension related benefits	This includes the Company's contributions to the defined contribution pension scheme.

Additional information on directors' interests (audited)

Details of the executive directors' interests in outstanding share awards under the Executive Directors' Deferred Share Plan ("EDDSP") and the PSP are set out below.

Deferred share awards as at 31 December 2015

There are no outstanding share grants related to deferred shares issued under the EDDSP. Under the rules of this plan the number of shares is calculated by reference to 50% of a participant's gross bonus, for a particular financial year, divided by the average of the middle market quotations on the five consecutive dealing days immediately following the date on which the results are announced.

Deferred shares awarded due to 2014 performance

No bonus is payable in relation to 2014 performance as the performance conditions relating to share price were not achieved. Accordingly no awards of deferred shares are to be made.

Deferred shares awarded due to 2015 performance

No bonus is payable in relation to 2015 performance as the performance conditions relating to share price were not achieved. Accordingly no awards of deferred shares are to be made.

Performance Share Plan

No awards made under the Performance Share Plan remain outstanding at 31 December 2015.

Directors' pension (audited)

	Contributions to defined contribution scheme €	**Total 2015 €**
Iain Dorrity	24,788	**24,788**
Michael Parker	—	**—**
John Sleeman	—	**—**
	24,788	**24,788**

Loss of office payments to the former Chief Financial Officer – Peter Finnegan (audited)

Peter Finnegan retired as Chief Financial Officer and executive director of PV Crystalox Solar PLC on 31 May 2014 (the "Termination Date"). The payments which Peter Finnegan received under the terms of his exit are as detailed below:

Payment in lieu of notice	Peter Finnegan was be paid in lieu of his twelve-month notice period. His payment in lieu of notice consisted of basic salary only and was £250,000 (subject to deductions for income tax and National Insurance contributions). The payment in lieu of notice was paid in two instalments: (i) £150,000 was paid following signing of a statutory agreement in February 2015; and (ii) £100,000 was paid in May 2015 on the first anniversary of the Termination Date. This payment in lieu of notice was a contractual entitlement pursuant to the terms of Peter Finnegan's service agreement with PV Crystalox Solar PLC and was paid in accordance with the remuneration policy which permits a termination payment equal to twelve months' salary.
Bonus payments	No bonus, commission or performance related payment was paid out under the terms of exit.
Shares	Any unvested awards at the date of departure lapsed under the terms of exit.
Employer pension contribution	Employer pension contributions into the Crystalox Limited pension scheme in respect of Peter Finnegan ceased with effect on the Termination Date.
Benefits	Private medical insurance for Peter Finnegan continued up until 31 October 2014. The insurance in respect of Peter Finnegan has now expired and was not renewed. All other non-cash contractual benefits ceased on the Termination Date.

Remuneration policy for non-executive directors (audited)

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. Non-executive directors are not eligible to join the Company's share schemes or pension schemes.

Directors' interests in shares of the Company (audited)

The interests in the ordinary share capital of the Company as at 31 December 2015 of those directors, and their connected persons, who were in office during the year are detailed below.

	Shares		Options	
	Shares owned outright	Unvested and subject to holding period (EDDSP)	Unvested and subject to performance conditions (PSP)	Total interests held
Iain Dorrity	17,099,371	—	—	17,099,371
Michael Parker	—	—	—	—
John Sleeman	—	—	—	—

The closing mid-market price of a PV Crystalox Solar PLC share on 31 December 2015 was 9.0 pence and the price range during the year was 8.00 pence to 13.13 pence.

Between 1 January 2015 and 29 February 2016 (the latest date for which it was practical to obtain the information) there were no changes to the beneficial interest of the directors in the ordinary shares of the Company.

Statement of voting at last AGM

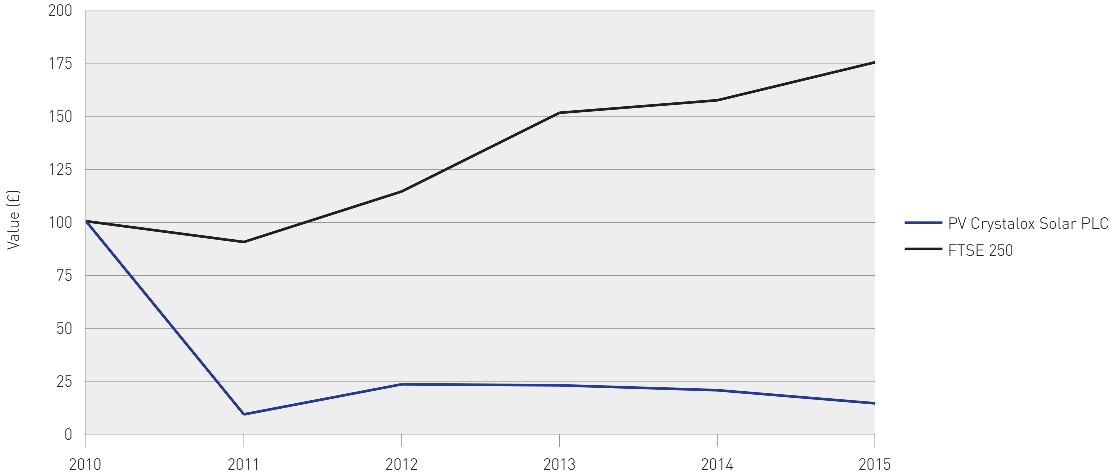
The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 21 May 2015:

	Votes for (number)	Votes for (%)	Votes against (number)	Votes against (%)	Votes withheld (number)
Resolution					
To receive and approve the 2014 Directors' Remuneration Report	81,016,834	99.98%	14,695	0.02%	1,148,631

Shareholder return

Performance graph (unaudited)

The graph below shows the TSR performance from 1 January 2011 to 31 December 2015. This is compared against the TSR performance of the FTSE 250 index. The Group was a member of the FTSE 250 index between September 2007 and March 2010. The graph is based upon £100 being invested in the shares of PV Crystalox Solar PLC on 1 January 2011 if all dividends had been reinvested and the comparative figures for the FTSE 250 index again assuming that dividends were reinvested. The data has been sourced from Bloomberg.



Shareholder return continued

Remuneration for the Chief Executive Officer over last five years

The table below shows the single figure remuneration for the Chief Executive Officer during each of the past six financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the pay-out for each year as a percentage of the maximum.

	2010	2011	2012	2013	2014	**2015**
Total remuneration (€)	554,934	376,915	403,997	386,510	314,187	**348,546**
Annual bonus (%)	50%	0%	—	—	0%	**0%**
LTIP vesting (%)	—	—	—	—	0%	**—**

Notes

(1) Iain Dorrity, the Chief Executive Officer, is paid in Sterling but disclosure in Euros has contributed to the volatility of the results above.

(2) There were no annual bonus awards in respect of the financial years 2012 and 2013.

(3) There were no LTIP awards in respect of the financial years 2010, 2011, 2012, 2013 or 2015.

Percentage change in the remuneration of the Chief Executive Officer

The table below sets out the increase in the salary, benefits and bonus of the Chief Executive Officer paid in Sterling and that of the PV Crystalox Group management population. This population has been selected for this comparison because it is considered to be the most relevant as these Group's employees have similarly structured remuneration packages.

	Chief Executive Officer	Group management population
	Percentage change (2015 v 2014)	Percentage change (2015 v 2014)
Salary	0%	2%
Benefits	0%	0%
Bonus	0%	0%

Relative importance of spend of pay

The table below shows a comparison between overall expenditure on pay and dividends paid to shareholders for 2015 and 2014.

	2015 €'000	2014 €'000	Percentage change
Overall expenditure on pay[1]	**8,447**	6,620	27.6%
Dividend paid in the year	**—**	—	0.0%

1 Overall expenditure on pay is total staff costs for continuing and discontinued operations per note 4 in the Notes to the Consolidated Financial Statements.

This report contains the information required by the Companies Act 2006 and the relevant parts of the Listing Rules of the United Kingdom Listing Authority and the United Kingdom Corporate Governance Code 2012.

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

In accordance with the requirements of the Companies Act 2006, a resolution to approve this report will be proposed at the AGM to be held on 19 May 2016.

Michael Parker
Chairman of the Remuneration Committee
16 March 2016

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report.

Composition and governance

The Audit Committee of the Board is chaired by Michael Parker and is to be made up of a minimum of two members where a majority of the members shall be non-executive directors, at least one of whom shall have recent and relevant financial experience. The Audit Committee chairman shall be an independent non-executive director. During the year, the Audit Committee was made up of two members, the independent non-executive director, Michael Parker, and John Sleeman, the Chairman of the Board, who was considered to be independent on appointment. John Sleeman is a Chartered Accountant and a Chartered Banker who in 2006 was a founding partner of, and since 2014 has been senior adviser to, S.P. Angel Corporate Finance LLP. The Board considers John Sleeman has recent and relevant financial experience. Michael Parker, a former CEO of both The Dow Chemical Company and BNFL, brings many years of international commercial experience to the Audit Committee. The Board believes that this combination of professional experience is appropriate to fulfil the duties of the Audit Committee.

The Chief Financial Officer and the external auditors are invited to attend Audit Committee meetings on a regular basis and other members may be invited to attend all or part of any meeting as and when appropriate. The Group Secretary acts as the Secretary of the Audit Committee. The Audit Committee meets not less than twice a year and is required to report formally to the Board on its proceedings.

The primary role of the Audit Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the financial statements and formal announcements relating to the Group's financial performance;
- the Group's internal financial controls and internal control and risk management systems;
- the requirement for an internal audit function;
- the content of the Annual Report and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's/Group's performance, business model and strategy;
- the Group's arrangements for whistleblowing, detecting fraud and preventing bribery;
- the external auditors' independence and objectivity and the effectiveness of the audit process; and
- making recommendations to the Board on the appointment or re-appointment of the Group's external auditors.

The terms of reference of the Audit Committee are available to members of the public upon request and are available on the Group's website at www.pvcrystalox.com.

External auditors

Non-audit services

The Group's external auditors are PricewaterhouseCoopers LLP ("PwC") and the Audit Committee operates a policy to safeguard the independence and objectivity of the external auditors. This policy requires approval of non-audit services provided by the external auditors in advance, with the requirement that on an annual basis the total fees for non-audit services do not exceed the total annual fees for audit services; sets out certain disclosure requirements by the external auditors to the Audit Committee; places restrictions on the employment of the external auditors' former employees; and required periodic partner rotation. During the year, the Audit Committee reviewed the processes that the external auditors have in place to safeguard their independence and received a letter from them confirming that, in their opinion, they remained independent.

A breakdown of the fees paid to the external auditors in respect of audit and non-audit related work is included in note 5 in the Notes to the Consolidated Financial Statements.

The 2012 Code has recommended that companies in the FTSE 350 index put their external audit contract out to tender at least every ten years. The Audit Committee has considered this recommendation and is mindful that the Company has not been a member of the FTSE 350 index since March 2010 and is not required to comply with this recommendation. In addition PwC were appointed with effect from the 2011 AGM following a tender process during November 2010. The Audit Committee has provided the Board with its recommendation to the shareholders to re-appoint PwC as external auditors for the year ending 31 December 2016. This will continue to be assessed on an annual basis.

The performance and effectiveness of the external auditors were formally reviewed by the Committee taking into account the views of directors and senior management on such matters as independence, objectivity, proficiency, resourcing and audit strategy and planning. The Committee concluded that the performance of the external auditors remained satisfactory following the review. The performance of the external auditors will continue to be reviewed annually.

Work undertaken during the year

The Audit Committee met twice during the year. Details of attendance are shown in the Corporate Governance Statement on page 15.

During the year the main items considered were:

- discussions with the auditors on the audit approach and strategy, the audit process, key issues arising out of the audit and discussions on the Auditors Report;
- approval of the audit fees and the auditors' letter of engagement;
- approval of non-audit work to be undertaken by the auditors;
- considering the independence and objectivity of the external auditors;
- reviewing the internal controls and risk management systems in operation within the Group;
- consideration of the requirement for the Group to have an internal audit function;
- detailed reviews of the Group's preliminary announcement, Annual Report and Interim Reports;
- the Audit Committee effectiveness review;
- a review of the effectiveness of the external auditors; and
- a review of the terms of reference of the Audit Committee.

Financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review with both management and the external auditors, and report to the Board where requested or required, the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditors;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

To aid the review, the Audit Committee considers reports from the Chief Financial Officer and Group Financial Controller and also reports from the external auditors on the outcomes of their annual audit. The Audit Committee supports PwC in displaying the necessary independence and objectivity its role requires.

The primary areas of judgement considered by the Audit Committee in relation to the 2015 financial statements and how these have been addressed are listed below. In concluding that the below list represented the primary areas of judgement, the Audit Committee considered a report by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements.

Financial reporting continued

These are also areas of higher audit risk and accordingly PwC reported to the Audit Committee on and the Audit Committee discussed these judgements.

Going concern

Management has prepared a paper setting out the going concern position. This included a cash flow forecast for the Group illustrating the current cash position for each Group company and how management are comfortable that the Group will have sufficient liquidity for the foreseeable future and through at least the twelve-month period following the signing of the accounts. The Audit Committee discussed that paper, challenging the assumptions behind the plan and the sensitivities which could negatively impact trading. Further details on the assumptions within the going concern review are contained in the Operational and Financial Review. The Audit Committee was satisfied that the going concern basis of preparation continues to be appropriate.

Onerous contract provision

The Group previously had long-term contracts for the supply of polysilicon where market prices for polysilicon were significantly below the prices agreed in the original contracts. In previous years the financial statements included an onerous contract provision ("OCP") which provided for the anticipated losses under the contracts taking into account the terms of the contracts, the state of negotiations with the suppliers and market conditions. At the end of 2015, as a result of the ending of the larger contract and the renegotiation of the smaller contract in 2014 together with changes in the polysilicon and wafer market prices, management recommended that an onerous contract provision was not required. Further details on the assumptions concerning the OCP are contained in the Operational and Financial Review. A paper was presented by management to the Audit Committee setting out the details of the OCP. The Audit Committee was satisfied that an onerous contract provision was not required.

Investment in subsidiary undertakings

In the PV Crystalox Solar PLC parent company balance sheet are investments in subsidiaries which are greater than the consolidated net assets of those subsidiaries which indicates potential impairment. Management has prepared a paper demonstrating that there is sufficient expected additional value to support the carrying value of investments of £50.8 million. The Audit Committee has reviewed the paper, discussed and challenged the assumptions and is satisfied with management's judgement that the additional value will be realised.

Internal controls and risk management systems

The Board has overall responsibility for the Group's system of internal control and risk management systems and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the systems and the maintenance of effective internal control in each of the Group's operating subsidiaries. The internal controls and risk management systems are designed to meet the particular needs of the Group and the risks to which it is exposed and are designed to manage rather than eliminate risk. Accordingly they can provide only reasonable and not absolute assurance against material misstatement, losses, fraud or breaches of laws or regulations.

Executive management is responsible for establishing and maintaining adequate internal control and risk management systems relating to the financial reporting process and the Group's process for the preparation of consolidated accounts. The systems and controls in place include policies and procedures that relate to the maintenance of records that accurately and fairly reflect transactions and accurately record and control the Group's assets; provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS"); require representatives of the operating subsidiaries to confirm that their reported information gives a true and fair view of the state of affairs of the subsidiary and the results for the period; and review and reconcile reported results.

The key procedures, which exist to provide effective internal controls and risk management systems, are as follows:

- clear limits of authority;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- annual revenue, cash flow and capital forecasts reviewed regularly during the year, monthly monitoring of management accounts and capital expenditure reported to the Board and monthly comparisons with forecasts;
- financial controls and procedures;
- clear guidelines for the authorisation of significant transactions including capital expenditure and disposals under defined levels of authority;
- regular meetings of the executive directors;
- an Audit Committee, which approves audit plans and published financial information and reviews reports from external auditors arising from the audit and deals with significant control matters raised;
- regular Board meetings to monitor continuously any areas of concern;
- annual review of risks and internal controls; and
- annual review of compliance with the Code.

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 systems which were in place during the financial year ended 31 December 2015 and the period up to the date of approval of the financial statements. The subsidiary company finance directors led the review. The review was summarised into a report which was discussed by the Audit Committee and the Board in March 2016.

The Board confirmed that no significant weaknesses were identified in relation to the review conducted during the year.

The Board confirms that the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is regularly reviewed by the Board in accordance with the Turnbull Guidance on internal control.

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. The Board will keep the decision under annual review.

Michael Parker
Chairman of the Audit Committee
16 March 2016

The directors are pleased to present their report together with the consolidated audited financial statements of the Group for the year ended 31 December 2015.

Results for the year

The Consolidated Statement of Comprehensive Income for the year ended 31 December 2015 is shown on page 36. The Consolidated Statement of Changes in Equity for the year is shown on page 38 and segmental information is shown in note 8 in the Notes to the Consolidated Financial Statements.

Dividends paid and proposed

The directors have not recommended a final dividend in respect of the current financial year and no interim dividend was paid during 2015. No dividends were paid in respect of 2014.

Strategic Report

The Group is required by the Companies Act 2006 to set out the development and performance of the business of the Group during the financial year ended 31 December 2015 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 and the Group's policy regarding equal opportunities and employing disabled people. The information concerning the Strategic Report can be found on pages 01 to 13.

Corporate Governance Statement

As required by the Disclosure and Transparency Rules a Corporate Governance Statement has been made. This is included separately on pages 15 to 16.

Greenhouse gas reporting

The directors are required to set out in this report the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use. This report is shown on page 13.

Future developments for the business/outlook

The Board's assessment and evaluation of future development and the outlook for the business is discussed in the Operational and Financial Review which can be found on pages 02 to 05.

Environmental policy

The environmental policy is discussed in the Corporate Responsibility Statement which can be found on pages 12 and 13.

Directors

The directors who served during the year to 31 December 2015 are:

Iain Dorrity	Chief Executive Officer and executive director
Michael Parker*	Senior Independent Director Member of the Nomination Committee Chairman of the Remuneration Committee Chairman of the Audit Committee
John Sleeman*	Chairman Chairman of the Nomination Committee Member of the Remuneration Committee Member of the Audit Committee

* Non-executive directors.

There have been no changes since the year end. Biographical details of the directors are set out on page 17.

Retirement and re-election of directors

The Company's Articles of Association require all directors to seek re-election by shareholders at least once every three years. In addition, any directors appointed by the Board must stand for re-election at the first AGM following his or her appointment. Any non-executive directors who have served for more than nine years are subject to annual re-election.

The Board of Directors believes that the annual re-election of directors in line with the 2012 Code is in the best interests of the Company. As a result all current directors have stood for annual re-election since the 2011 AGM. Accordingly, at the 2016 AGM all directors will retire and, being eligible, Iain Dorrity, Michael Parker and John Sleeman will offer themselves for re-election.

Directors' interests and remuneration

The Directors' Remuneration Report, which includes details of service agreements and the directors' interests in PV Crystalox Solar PLC shares, is set out on pages 19 to 26.

Beneficial interests in significant contracts

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

Substantial shareholders

As at 29 February 2016 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 issued ordinary shares
Schroder Investment Management Limited	23,849,071	14.88
Iain Dorrity	17,099,371	10.67
Barry Garrard	16,108,323	10.05
Hawkwood Capital	11,303,938	7.05
Stuart Oldham	10,276,442	6.41
Graham Young	5,398,888	3.37
Goldman Sachs International	5,174,655	3.23
Barclays Wealth	4,896,820	3.06
TD Direct Investing	4,869,188	3.04

Directors' indemnity and insurance

As at the date of this report and throughout the year under review, the Company has provided to all the directors an indemnity in accordance with the Articles of Association (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office and the Company has taken out an insurance policy in respect of those liabilities. This indemnity is a qualifying third party indemnity provision for the purposes of Sections 232 to 234 of the Companies Act 2006. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Share capital

The authorised share capital and allotted, called up and fully paid share capital of the Company is shown in note 26. As at the date of this report, 160.3 million ordinary shares of 5.2 pence each were allotted, called up and fully paid with an aggregate nominal value of €12.3 million.

The Company has a single class of share capital, which are ordinary shares of 5.2 pence each, and full details of rights accorded to the holders of these ordinary shares are set out in the Articles of Association. Holders of ordinary shares have the rights accorded to them under United Kingdom company law, including the right to receive the Company's Annual Report and Accounts, attend and speak at general meetings, appoint proxies and exercise voting rights.

The Company operates an employee benefit trust to hold shares pending employees becoming entitled to them under the Company's employee share plans. The trust has an independent trustee which waives its rights to dividends on the shareholding. Details of employee share schemes and shares held by the PV Crystalox Solar PLC Employee Benefit Trust are set out in note 27.

In respect of the Company's share capital there are no restrictions on the transfer of shares, no limitations are placed on the holding of shares and prior approval is not required from the Company or from other holders of shares for a transfer.

Subject to the provisions of the Companies Act 2006 and of the Articles of Association, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

The Board may declare and pay such interim dividends as appears to the Board to be justified by the profits of the Company available for distribution. All dividends shall be apportioned and paid pro-rata according to the amount paid up on the shares.

The Company was given authority at the 2015 AGM to allot further shares up to a maximum of £2,778,169, which was approximately 33% of the issued share capital on 17 April 2015 and to allot an additional number of ordinary shares up to a maximum of £2,778,169, which is approximately a further 33% of the issued share capital on 17 April 2015 by way of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. No ordinary shares were allocated during the period from the AGM to the date of this report. This authority will expire at the 2016 AGM and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year.

The Company was given authority at the 2015 AGM to make market purchases of up to 16,027,897 of its own ordinary shares of 5.2 pence. This authority will expire at the 2016 AGM and approval will be sought from shareholders at that meeting for a similar authority to be given for a further year. The Company did not make any purchases of its own ordinary shares during the period from the AGM to the date of this report.

Going concern

Going concern is discussed on page 05 within the Operational and Financial Review.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of one of the Group subsidiary companies such as commercial supplier and customer contracts. There is no individual contractual arrangement that is considered to be essential to the continuing operation of the Group.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Financial risk management

The Group's financial risk management policy is set out in note 28 in the Notes to the Consolidated Financial Statements.

Disclosure of information to the auditors

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 auditors are 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 auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated that they are willing to continue in office. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors for the ensuing year will be proposed at the AGM.

Annual General Meeting

The AGM will be held at 3 More London Riverside, London SE1 2AQ on Thursday 19 May 2016 at 2.00pm. The Letter from the Chairman and Notice of Meeting document give full details of the AGM and the resolutions to be proposed.

By order of the Board

Matthew Wethey
Chief Financial Officer and Group Secretary
16 March 2016

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and the parent company financial statements in accordance with FRS 101 ("the reduced disclosure framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Matthew Wethey
Chief Financial Officer and Group Secretary
16 March 2016

Report on the Group financial statements

Our opinion

In our opinion, PV Crystalox Solar PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Balance Sheet as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the Consolidated Financial Statements, which include a summary of significant accounting policies and other explanatory information.

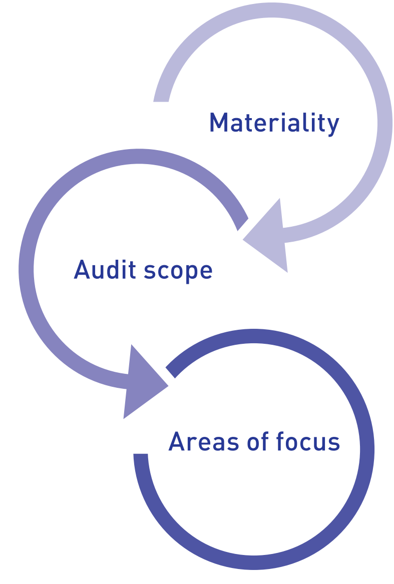
Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Our audit approach

Overview



- Overall Group materiality: €521,600 which represents 1% of total assets.

- Three of six reporting units have been subject to a full scope substantive audit. Procedures were also performed at the Group level over the Group consolidation process.
- These three units are PV Crystalox Solar PLC (UK), Crystalox Limited (UK) and PV Crystalox Solar Silicon GmbH (Germany).
- These three reporting units accounted for 98% of Group assets, and 88% of Group loss before tax. In addition, we perform procedures over the remaining reporting units to identify any unusual or unexpected transactions or balances.

- Going concern.
- Onerous supplier contract provision.
- Risk of impairment of investment in subsidiary undertakings.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table opposite. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus

Going concern

Refer to the directors' assessment in relation to going concern and note 1.

We focused on this area because, in recent years, global overcapacity has driven a significant and continuing decline in market prices across the photovoltaic value chain. This has placed continued significant pressure on the Group's ability to generate cash, as shown by the cash outflow of €12.7 million for the year in the Consolidated Cash Flow Statement.

On 31 December 2015 the larger of the two polysilicon supply contracts expired. In the prior year the other polysilicon supply contract was renegotiated to reduce prices and reschedule volumes over an extended period.

This has meant that the ongoing cash commitments of the Group have significantly reduced. The Group has also achieved an increase in the sales price of wafers in recent months, in line with the market spot price.

With this in mind the directors have prepared detailed cash flow forecasts. Their determination that the Group will continue in operation for the foreseeable future, and, hence, the financial statements should be prepared using the going concern basis of accounting, is based both on these forecasts and on the amount of cash and polysilicon inventory that the Group held at the end of the year (€12.7 million and €20.2 million respectively).

The going concern assumption is fundamental to the presentation of the financial statements and therefore a change in this assumption would alter their basis of preparation.

The directors' forecasts are based on a number of assumptions including forecast polysilicon purchase prices and the forecast sales prices for both polysilicon and wafers. Because of the inherent uncertainty of the sales prices of polysilicon and wafers and the sensitivity of the forecasts to these assumptions, this is where we have focused our work.

We obtained the directors' cash flow forecasts, which covered a period of twelve months and beyond, from the date of approval of the financial statements and confirmed that it forecast that the Group would have sufficient cash to continue in operation for that period.

We focused on the key assumptions made in those cash flow forecasts, in particular the forecast polysilicon purchase prices and sales prices.

To test the polysilicon purchase price in the forecast, we compared it with the most recent contract amendments negotiated by the Group and confirmed that they were consistent.

To test the estimates the directors had made regarding the sales prices, we confirmed that these reflected the most recent sales prices that the Group had achieved.

We performed sensitivity analysis over the significant assumptions, both individually and collectively, contained in the cash flow forecasts to ascertain the extent of change that would be required for the Group to have insufficient cash flows to meet its ongoing liabilities as they fall due. We also considered the likelihood of such a movement arising. Our testing identified that the combination of circumstances necessary to lead to the Group having insufficient cash to meet its ongoing liabilities as they fall due appears unlikely to occur in the foreseeable future.

We also tested the carrying value of the polysilicon held by the Group at the year end by confirming that it was comparable to the latest sales price achieved by the Group. As part of this testing, we confirmed that the recoverable value was not lower than its carrying value, irrespective of whether the directors decide to sell the polysilicon in its raw state or to use it in the manufacturing process.

We tested the amount of cash recorded on the balance sheet at year end by obtaining independent cash confirmations from the banking institutions.

Overall we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, this is not a guarantee as to the Group's ability to continue as a going concern.

Onerous supplier contract provision

Refer to Operational and Financial Review and notes 1 and 21.

At 31 December 2015, the Group has no provision in relation to their supplier contracts (2014: €15.5 million).

The decrease in the provision is due to the expiration of one of the two long-term contracts, and an improvement in the sales price of wafers.

Historically, as a result of the significant and ongoing decline in market prices for both polysilicon and silicon wafers, the resultant cost of polysilicon under the Group's long-term supply contracts (and subsequent amendments) had meant the Group expected these contracts to be onerous and, hence, a provision was required.

We focused on this area in the current year as both supplier contracts had historically been material to the balance sheet, and the conclusion on the provision requires the directors to make estimates of the likely future cash flows that will be required to settle the Group's obligations. These estimates are inherently subjective.

We evaluated and challenged the directors' rationale for determining that no provision was needed as at 31 December 2015.

In their assessment of the need for a provision, the directors used the same assumptions for the purchase and selling price of polysilicon and silicon wafers as they used in their analysis of the appropriateness of the going concern basis of accounting. Our testing of these assumptions is described above.

To test the estimates the directors had made regarding the polysilicon purchase volumes, we compared the estimates with the most recent contract amendment negotiated by the Group with the remaining long-term supplier and to the original signed supplier contract and confirmed they were consistent.

We also performed sensitivity analysis on the assumptions noted above to ascertain the extent of change in those assumptions, either individually or collectively, which would be required for the provision to be materially misstated, and assessed the likelihood of these changes in assumptions arising. We discussed the likelihood of such a change in these estimates with the directors and agreed with their conclusion that this was unlikely.

Report on the Group financial statements continued
Our audit approach continued
The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Risk of impairment of investment in subsidiary undertakings Refer to note 1 of the Company financial statements. The carrying value of investments in the Company balance sheet is £50.8 million (2014: £55.7 million) at year end. We focused on this area as it is material to the Company balance sheet and the carrying value of the investments in the Company balance sheet exceeded the consolidated net assets of the subsidiaries. It also compares to a market capitalisation of the Group as at 31 December 2015 of £13.6 million (2014: £20.8 million). In conducting their impairment review, the directors assessed future cash flows, which are inherently subjective and reliant on a number of assumptions – the key one being the outcome of negotiations on certain customer contracts.	We obtained the directors' analysis supporting the carrying value of the investments. We challenged and evaluated their assumptions and forecasts regarding the likelihood and magnitude of future cash flows. In particular we considered whether these are expected to give rise to sufficient additional economic benefit to be generated over and above the carrying value of the consolidated net assets of the subsidiaries in order to support their assessment that no impairment was required. We considered information in relation to the negotiations on customer contracts, including correspondence from the Group's legal advisers, and did not identify any relevant facts that the directors had not considered in their assessment of the likely outcome. We also considered the outcome of similar historic negotiations undertaken by the Group and the range of possible current outcomes to identify the likelihood that impairment would arise. From the evidence obtained we agreed with the directors' assessment that no impairment is required at this time, based on the current status of negotiations.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operated in three territories during the year, being the United Kingdom, Germany and Japan, with legal entities located in each. As part of the ongoing cost reduction programme a decision to wind up the operation in Japan was taken during the year. The Group financial statements are a consolidation of the six reporting units across these territories, comprising the Group's operating businesses and head office. As the Japanese operation did trade during the year, its results have been correctly included within the consolidated statements.

Based on our assessment of significance and risk, audits of the complete financial information of three of the six reporting units – PV Crystalox Solar PLC (UK), Crystalox Limited (UK) and PV Crystalox Solar Silicon GmbH (Germany) – were performed. These three reporting units accounted for 98% of Group assets and 88% of the Group loss before tax. In addition, we performed procedures over the remaining reporting units to identify any unusual or unexpected transactions or balances.

Within the audit plan presented to the Audit Committee, certain risks have been identified as significant and have been tested to the high risk. These include the onerous contract provision in Crystalox Limited, the going concern status for the Group, and individual entities, as well as the potential requirement for an impairment to the investment in subsidiary undertakings in the parent company balance sheet.

Inter-office instructions were issued to the component auditors in Germany, to enable them to scope their audit in line with the significant risks identified at Group level.

The component auditors reported back to the Group team, with their results of testing performed, as requested within the Group instructions.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality
- €521,600 (2014: €786,000).

How we determined it
- 1% of total assets.

Rationale for benchmark applied
- We considered financial metrics which we believed to be relevant and concluded that, consistent with the last year, total assets was the most appropriate benchmark as it best reflected the underlying interests of the Group's members.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €26,000 (2014: €39,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of PV Crystalox Solar PLC for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Reading
16 March 2016

	Notes	**2015 €'000**	2014 €'000
Revenues	8	**64,464**	53,333
Cost of materials and services	3	**(64,268)**	(65,694)
Personnel expenses	4	**(8,447)**	(6,620)
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets		**(382)**	(337)
Other income	2	**1,187**	12,132
Other expenses	5	**(5,390)**	(4,163)
Currency gains and losses	28	**(184)**	9,043
Loss before interest and taxes ("LBIT")		**(13,020)**	(2,306)
Finance income	6	**78**	106
Finance cost	6	**(721)**	(2,450)
Loss before taxes ("LBT")		**(13,663)**	(4,650)
Income taxes	7	**(94)**	(2)
Loss for the year attributable to owners of the parent		**(13,757)**	(4,652)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		**2,867**	2,498
Total comprehensive loss			
Attributable to owners of the parent		**(10,890)**	(2,154)
Basic and diluted loss per share in Euro cents:			
From loss for the year	9	**(8.8)**	(3.0)

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

Consolidated balance sheet
As at 31 December 2015

	Notes	2015 €'000	2014 €'000
Intangible assets	15	**12**	38
Property, plant and equipment	16	**2,049**	2,355
Other non-current assets	17	**5,179**	5,425
Total non-current assets		**7,240**	7,818
Cash and cash equivalents	10	**12,691**	24,592
Trade accounts receivable	11	**5,658**	5,341
Inventories	12	**23,186**	28,630
Prepaid expenses and other assets	13	**3,381**	12,380
Current tax assets	14	**5**	16
Total current assets		**44,921**	70,959
Total assets		**52,161**	78,777
Trade accounts payable	19	**1,436**	1,762
Deferred revenue	25	**3,518**	3,235
Accrued expenses	20	**1,885**	1,564
Provisions	21	**—**	14,577
Deferred grants and subsidies	22	**70**	111
Current tax liabilities	23	**117**	156
Other current liabilities	24	**96**	72
Total current liabilities		**7,122**	21,477
Accrued expenses	20	**42**	111
Provisions	21	**—**	1,019
Other non-current liabilities		**222**	236
Total non-current liabilities		**264**	1,366
Share capital	26	**12,332**	12,332
Share premium		**50,511**	50,511
Other reserves		**25,096**	25,096
Shares held by the EBT		**(679)**	(679)
Share-based payment reserve		**472**	741
Reverse acquisition reserve		**(3,601)**	(3,601)
Accumulated losses		**(21,388)**	(7,631)
Currency translation reserve		**(17,968)**	(20,835)
Total equity		**44,775**	55,934
Total liabilities and equity		**52,161**	78,777

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

The financial statements on pages 36 to 58 were approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Iain Dorrity
Chief Executive Officer

Company number
06019466

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Shares held by the EBT €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Retained earnings/ (accumulated losses) €'000	Currency translation reserve €'000	Total equity €'000
As at 1 January 2014		12,332	50,511	25,096	(7,610)	922	(3,601)	4,067	(23,333)	58,384
Revaluation of shares held by the EBT	26	—	—	—	6,868	178	—	(7,046)	—	—
Share-based payment charge		—	—	—	—	444	—	—	—	444
Award of shares		—	—	—	63	(803)	—	—	—	(740)
Transactions with owners		—	—	—	6,931	(181)	—	(7,046)	—	(296)
Loss for the year		—	—	—	—	—	—	(4,652)	—	(4,652)
Currency translation adjustment		—	—	—	—	—	—	—	2,498	2,498
Total comprehensive loss		—	—	—	—	—	—	(4,652)	2,498	(2,154)
As at 31 December 2014		12,332	50,511	25,096	(679)	741	(3,601)	(7,631)	(20,835)	55,934
As at 1 January 2015		12,332	50,511	25,096	(679)	741	(3,601)	(7,631)	(20,835)	55,934
Share-based payment charge		—	—	—	—	(269)	—	—	—	(269)
Transactions with owners		—	—	—	—	(269)	—	—	—	(269)
Loss for the year		—	—	—	—	—	—	(13,757)	—	(13,757)
Currency translation adjustment		—	—	—	—	—	—	—	2,867	2,867
Total comprehensive loss		—	—	—	—	—	—	(13,757)	2,867	(10,890)
As at 31 December 2015		**12,332**	**50,511**	**25,096**	**(679)**	**472**	**(3,601)**	**(21,388)**	**(17,968)**	**44,775**

	Notes	2015 €'000	2014 €'000
Loss before taxes		**(13,663)**	(4,650)
Adjustments for:			
Net interest expense	6	**643**	2,344
Depreciation and amortisation	15,16	**382**	337
Inventory writedown	12	**5,538**	—
Charge for retirement benefit obligation and share-based payments	27	**(314)**	—
Decrease in provisions	21	**(17,468)**	(14,761)
Gain from the disposal of property, plant and equipment and intangibles		**(191)**	(2)
(Gains)/losses in foreign currency exchange		**(145)**	156
Change in deferred grants and subsidies	22	**(41)**	(48)
		(25,259)	(16,624)
Changes in working capital			
Decrease/(increase) in inventories	12	**1,729**	(14,847)
Decrease in accounts receivables	11,13	**813**	9,074
Decrease in accounts payables and deferred income	19,20	**(512)**	(2,926)
Decrease in other assets	13,17	**10,322**	9,576
Decrease in other liabilities	24	**23**	22
		(12,884)	(15,725)
Income taxes (paid)/received	14	**(121)**	7
Interest received	6	**78**	44
Net cash used in operating activities		**(12,927)**	(15,674)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**249**	2
Proceeds of investment grants and subsidies	22	**—**	7
Payments to acquire property, plant and equipment and intangibles	15,16	**(20)**	(251)
Net cash generated from/(used in) investing activities		**229**	(242)
Cash flow from financing activities			
Repayment of bank and other borrowings		**—**	(712)
Interest paid	6	**(23)**	(1)
Net cash used in financing activities		**(23)**	(713)
Cash generated from continuing and discontinued operations		**(12,721)**	(16,629)
Effects of foreign exchange rate changes on cash and cash equivalents		**820**	1,321
Cash and cash equivalents at the beginning of the year		**24,592**	39,900
Cash and cash equivalents at the end of the year		**12,691**	24,592

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

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, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial information has also been prepared under the historical cost convention except that it has been modified to include certain financial assets and liabilities (including derivatives) at their fair value through profit and loss. These policies have been consistently applied to all years presented unless otherwise stated.

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

The financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 16 March 2016.

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company is Sterling. The financial information has been presented in Euros, which is the Group's presentational currency. The Euro has been selected as the Group's presentational currency as this is the currency used in its significant contracts. The financial statements are presented in round thousands.

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the respective entity at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. 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 the functional currency at foreign exchange rates ruling at the date the fair value was determined. Exchange gains and losses on monetary items are charged to the Statement of Comprehensive Income.

The assets and liabilities of foreign operations are translated to Euros at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated into Euros at the average foreign exchange rates of the year that the transactions occurred in. In the Consolidated Financial Statements exchange rate differences arising on consolidation of the net investments in subsidiaries are recognised in other comprehensive income under "Currency translation adjustment".

Use of estimates and judgements – overview

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements and estimates 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, the establishing of provisions for onerous contracts, taxes, share-based payments and inventory valuations. 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 with particular attention paid to the life of material plant.

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 years. The critical accounting policies that the Group discloses will not necessarily result in material changes to our financial statements in any given year 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.

Use of estimates – property, plant and equipment impairment

Property, plant and equipment are depreciated over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets will generate revenue. The carrying amount of the Group's non-financial assets, other than inventories, are subject to regular impairment testing and are reviewed annually and upon indication of impairment.

Having considered the current and, lack of certainty of, future profitability of other Group companies, the majority of property, plant and equipment has previously been written down to scrap value.

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.

Use of estimates – deferred taxes

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 in the future.

Due to the lack of certainty around future profits, all deferred tax assets continue to be unrecognised in the year's balance sheet.

1. Group accounting policies continued

Use of estimates – provisions – onerous contract provisions

In keeping with normal practice in the industry at the time, the Group entered into long-term supply contracts for its raw material, polysilicon, with two major suppliers, of which one is remaining at the end of 2015. Given the significant unexpected decline in market prices for polysilicon and silicon wafers, the resultant cost of polysilicon under these contracts has meant in recent years the Group expecting losses on these contracts. However, the spot price for wafers has shown some modest recovery during recent months while the price of polysilicon, the key raw material, has fallen to historical lows and is still declining. The net result of these divergent trends is that wafer prices now exceed the Group's cash cost of production.

Consequently the financial statements no longer include a provision (2014: €15.5 million) for the discounted total of currently anticipated losses under these contracts.

Use of estimates – inventory valuation

Given the significant unexpected decline in market prices for polysilicon and silicon wafers, the carrying amount of inventory has been reduced to net realisable value.

Net realisable value has been determined as estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Any improvement in anticipated selling prices would reduce the level of writedown necessary and would be taken as profit in 2017.

Basis of consolidation

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 31 December 2015. 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 Consolidated Statement of Comprehensive Income up to, or from, the date control passes.

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

On acquisition of a subsidiary, all of the subsidiary's separately 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 intra-group transactions, balances, income and expenses are eliminated upon consolidation.

Going concern

The Group's directors continue to operate a cash conservation strategy to enable the Group to manage its operations whilst market conditions remain difficult. The recent improvement in market conditions means that the Group's cash cost of wafer production is now below the market price. A description of the market conditions and the Group's actions to conserve cash is included in the Strategic Report.

As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations concerning key assumptions. The assumptions around contracted sales volumes and prices and contracted purchase volumes and prices are based on management's expectations and contractual terms from the remaining polysilicon supply contract and are consistent with the Group's experience in the first part of 2016. The Group looked at the sensitivity in the model by considering different sales volumes and prices and noted that a significant drop in either would leave the Group in a cash positive position in March 2017.

The nature of the Group's operation means that it can vary production levels to match market requirements. As part of the cash conservation measures and the associated planning assumptions, production output currently remains reduced to match expected demand. In line with the Group's strategy of retaining flexibility in production levels, production can be brought back on stream should market conditions allow. In order to manage inventory levels the Group continues to sell excess polysilicon into the spot market.

On 31 December 2015 there was a net cash balance of €12.7 million, including funds held by an employee benefit trust. The value of the polysilicon inventory was €20.3 million.

Therefore, whilst any consideration of future matters involves making a judgement at a particular point in time about future events that are inherently uncertain, the directors, after careful consideration and after making appropriate enquiries, are of the opinion that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus the Group continues to adopt the going concern basis of accounting in preparing the annual financial statements.

As a result of these modelling assumptions the base plans indicate that the Group will be able to operate within its net cash reserves for the foreseeable future.

1. Group accounting policies continued

Effects of new accounting pronouncements

Accounting standards, IFRICs and other guidance in effect or applied for the first time in 2015

- Annual improvements 2013
- IFRIC 21, 'Levies'

The above have not made a material difference to the financial statements.

In issue, but not yet effective

The following interpretations are in issue, but not yet effective. The Group does not believe that any will have a material impact on the Group's financial positions, results of operations or cash flows.

- Amendment to IAS 19 regarding defined benefit plans
- Annual improvements 2012
- Amendment to IFRS 11, 'Joint Arrangements'
- Amendment to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'
- Amendments to IAS 16, 'Property, Plant and Equipment'
- IFRS 14, 'Regulatory Deferral Accounts'
- Amendments to IAS 27, 'Separate Financial Statements'
- Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures'
- Annual improvements 2014
- Amendment to IAS 1, 'Presentation of Financial Statements'
- Amendment to IFRS 10 and IAS 28 on investment entities
- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from Contracts with Customers'

Intangible assets

Intangible assets are stated at cost net of accumulated amortisation. The Group's policy is to write off the difference between the cost of intangible assets and their estimated realisable value systematically over their estimated useful life. Amortisation of intangible assets is recorded under "Depreciation and impairment of property, plant and equipment and amortisation of intangible assets" in the Consolidated Statement of Comprehensive Income.

Acquired computer software licences and patents are capitalised on the basis of the costs incurred to purchase and bring into use the software.

The capitalised costs are written down using the straight-line method over the expected economic life of the patents and licences (five years) or the software under development (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 Consolidated Statement of Comprehensive Income.

Property, plant and equipment

Property, plant and equipment is stated at acquisition or construction cost, net of depreciation and provision for impairment. No 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. All allowable costs up until the point at which the asset is physically able to operate as intended by management are capitalised. 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 property, plant and equipment 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 five to ten years for plant and machinery and up to 15 years for other furniture and equipment. Property, plant and equipment are reviewed for impairment at each balance sheet date or upon indication 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 Consolidated Statement of Comprehensive Income.

Impairment

The carrying amount of the Group's non-financial assets is subject to impairment testing upon indication of impairment.

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. The asset is subsequently reviewed for possible reversal of the impairment at each reporting date.

1. Group accounting policies continued

Leased assets

Leases are categorised as per the requirements of IAS 17. Where risks and rewards are transferred to the lessee, the lease is classified as a finance lease. All other leases are classed as operating leases.

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

The obligations from operating lease contracts are disclosed among financial obligations.

For the reporting year, no assets were recorded under finance leases.

Other income

Income other than that from sale of silicon products is recognised at the point of entitlement to receipt and shown as other income.

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 Consolidated Statement of Comprehensive Income. Subsequent measurement depends on the designation of the instrument, as follows:

Amortised cost

- short-term borrowing, overdrafts and long-term loans are held at amortised cost; and
- accounts payable which are not interest bearing are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

Held for trading

- 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 valuation of the local bank.

Loans and receivables

- non-interest bearing accounts receivable 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 profit or loss net of any advance payment held by the Group where a right of offset exists; and
- cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Interest and other income resulting from financial assets are recognised in profit or loss on the accruals basis, using the effective interest method.

Inventories

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

Acquisition costs for raw materials are usually 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 is expensed as incurred and therefore not included. Net realisable value is determined as estimated selling price for silicon wafers or polysilicon less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Contingent liabilities

Provisions are made for contingent liabilities 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, where material, the contingent liability will be disclosed in a note.

Current and deferred taxes

Current tax is the tax currently payable based on taxable profit for the year, including any under or over provisions from prior years.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

1. Group accounting policies continued

Public grants and subsidies
As the German wafering operation is located in a region designated for economic development, the Group received both investment subsidies and investment grants. Government grants and subsidies relating to capital expenditure were credited to the "Deferred grants and subsidies" account and released to the Consolidated Statement of Comprehensive Income 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, were credited to the Consolidated Statement of Comprehensive Income in the same year as the related expenditure.

All required conditions of these grants have been met and it is the Group's intention that they 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, discounted to present value. The resulting charge upon the discounting being unwound is recorded as a finance cost.

Accruals
Accruals are recognised when an obligation to meet an outflow of economic benefit in the future arises at the balance sheet date.

Accruals are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Revenue recognition
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. Ownership is considered to have transferred once products have been received by the customer unless shipping terms dictate any different. Revenues exclude intra-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.

Finance income and costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and dividend income and gains.

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

Defined contribution pension plan
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 incurred.

Employee Benefit Trust
All assets and liabilities of the Employee Benefit Trust ("EBT") have been consolidated in these financial statements as the Group has de facto control over the trust's net assets as the parent of its sponsoring company.

Deferred revenue and other long-term assets
As is common practice within the sector, the Group, where appropriate, both seeks to receive deposits from customers in advance of shipment and makes deposits in advance of supplies of silicon tetrachloride and polysilicon feedstock.

These deposits are held on the balance sheet and matched against revenue/cost as appropriate.

Deposits received from customers are not discounted, as the effect is not considered to be material.

Share-based payments
The Group has applied the requirements of IFRS 2, 'Share-based payments'. The Group issues equity-settled share-based payments to certain employees. These are measured at their fair value at the date of the grant using an appropriate option pricing model and are expensed over the vesting year, based on the Group's estimate of the number of shares that will eventually vest. Grants of shares made during 2008 and 2007 are not subject to performance criteria and were valued at the date of the grant at market value. During 2011 awards were granted under the Performance Share Plan to employees. The share options granted are subject to performance criteria required for the option to vest and are considered in the method of measuring fair value. Fair value is assessed using the Black-Scholes method.

Charges made to the Consolidated Statement of Comprehensive Income in respect of share-based payments are credited to the share-based payment reserve.

1. Group accounting policies continued

Shareholders' equity

Shareholders' equity is comprised of the following balances:

- share capital is comprised of 160,278,975 ordinary shares of 5.2 pence each;
- share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of share issue;
- other reserves arising from the issue and redemption of B shares in 2013;
- investment in own shares is the Group's shares held by the EBT that are held in trust for the benefit of employees;
- share-based payment reserve is the amount charged to the Consolidated Statement of Comprehensive Income in respect of shares already granted or options outstanding relative to the vesting date or option exercise date;
- the reverse acquisition reserve is the difference between the value of the assets acquired and the consideration paid by way of a share for share exchange on 5 January 2007;
- accumulated losses/retained earnings is the cumulative profit retained by the Group; and
- currency translation reserve represents the differences arising from the currency translation of the net assets in subsidiaries.

2. Other income

	2015 €'000	2014 €'000
Recognition of accrued grants and subsidies for investments	**455**	48
Sale of property, plant and equipment	**191**	2
Customer compensations	**—**	10,222
Supplier compensations	**36**	1,234
Research and development grants	**83**	264
Miscellaneous	**422**	362
	1,187	12,132

Customer compensations relate to settlements with two of the Group's previous contract wafer customers.

3. Cost of materials 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.

	2015 €'000	2014 €'000
Cost of raw materials, supplies and purchased merchandise	**64,900**	54,785
Change in unfinished and finished goods	**7,356**	(1,166)
Inventory writedowns	**5,538**	—
Onerous contract (release)/charge (see note 21)	**(17,414)**	8,162
Purchased services	**3,887**	3,913
Cost of materials and services	**64,268**	65,694

4. Personnel expenses

	2015 €'000	2014 €'000
Staff costs for the Group during the year		
Wages and salaries	**7,256**	5,808
Social security costs	**901**	861
Other pension costs	**251**	263
Employee share schemes	**39**	(312)
Total	**8,447**	6,620

Included within pension costs is €nil (2014: €nil) relating to actuarial losses on defined benefit pension obligations.

4. Personnel expenses continued

Employees

The Group employed a monthly average of 141 employees during the year ended 31 December 2015 (2014: 122).

	2015 Number	2014 Number
Germany	85	70
United Kingdom	51	47
Japan	5	5
	141	122

	2015 Number	2014 Number
Production	80	66
Administration	61	56
	141	122

The Group employed 136 employees at 31 December 2015 (31 December 2014: 138).

The remuneration of the Board of Directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report on pages 19 to 26.

5. Other expenses

	2015 €'000	2014 €'000
Land and building operating lease charges	2,508	2,162
Repairs and maintenance	136	102
Selling expenses	9	29
Technical consulting, research and development	28	44
Legal costs	659	35
Other professional services	950	692
Insurance premiums	222	269
Travel and advertising expenses	97	104
Bad debts	418	—
Staff related costs	72	197
Other	291	529
	5,390	4,163

Amounts payable to the Group's auditors:

	2015 €'000	2014 €'000
Fees payable to the Company's auditors and their associates for the audit of the parent company and consolidated financial statements	94	84
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	74	106
– Other assurance services	11	5
	179	195

6. Finance income and costs

Finance income and costs are derived/incurred on financial assets/liabilities and recognised under the effective interest method.

The resulting charge upon unwinding the discount charge on provisions is recorded as a finance cost.

	2015 €'000	2014 €'000
Finance income	**78**	106
Finance expense:		
Expense of Group borrowings	**—**	(1)
Expense of pension commitment	**(31)**	(59)
Expense of prior year tax	**(24)**	—
Expense of unwinding provision discounting charge (note 21)	**(666)**	(2,390)
Finance expense	**(721)**	(2,450)

7. Income taxes

	2015 €'000	2014 €'000
Current tax:		
Current tax on loss for the year	**2**	2
Adjustment in respect of prior years	**92**	—
Total current tax	**94**	2
Deferred tax (note 18):		
Total deferred tax	**—**	—
Total tax charge	**94**	2

The total tax rate for the German companies is 32.275% (2014: 32.275%). The effective total tax rate in the United Kingdom was 20.25% (2014: 21.5%) and the total tax rate in Japan was 35.07% (2014: 39.91%). These rates are based on the legal regulations applicable or adopted at the balance sheet date.

The rate of corporation tax in the UK will fall to 19% with effect from 1 April 2017 and to 18% in 2020. The German rate will be unchanged in 2016 and in Japan it is expected the rate will fall to 31.33% from April 2016 onwards.

The impact of these further changes is not expected to be material.

The tax on the Group's results before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses of the consolidated entities as follows:

	2015 €'000	2014 €'000
Loss before tax	**(13,663)**	(4,650)
Expected income tax credit at UK tax rate 20.25% (2014: 21.5%)	**(2,766)**	(1,000)
Adjustments for foreign tax rates	**(447)**	(395)
Income not subject to tax	**(1,375)**	(1,563)
Losses not relieved during the year	**—**	845
Adjustment in respect of prior years	**92**	—
Utilisation of tax losses and other deductions	**3,154**	535
Expenses not deductible for tax	**1,436**	1,580
Total tax charge	**94**	2

8. Segment reporting

The chief operating decision-maker, who is responsible for allocating resources and assessing performance, has been identified as the Group Board. The Group is organised around the production and supply of one product, multicrystalline silicon wafers. Accordingly, the Board reviews the performance of the Group as a whole and there is only one operating segment. Disclosure of reportable segments under IFRS 8 is therefore not made.

Geographical information 2015

	Japan €'000	Taiwan €'000	Canada €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	Rest of world €'000	Group €'000
Revenues								
By entity's country of domicile	**325**	**—**	**—**	**4,012**	**60,127**	**—**	**—**	**64,464**
By country from which derived	**325**	**31,271**	**20,462**	**109**	**17**	**8,573**	**3,707**	**64,464**
Non-current assets*								
By entity's country of domicile	**2**	**—**	**—**	**740**	**6,498**	**—**	**—**	**7,240**

* Excludes: financial instruments, deferred tax assets and post-employment benefit assets.

Two customers accounted for more than 10% of Group revenue each and sales to these customers are as follows (figures in €'000):
1. 27,254 (Taiwan); and
2. 20,462 (Canada).

Geographical information 2014

	Japan €'000	Taiwan €'000	Canada €'000	Germany €'000	United Kingdom €'000	Rest of Europe €'000	Rest of world €'000	Group €'000
Revenues								
By entity's country of domicile	174	—	—	2,607	50,552	—	—	53,333
By country from which derived	199	37,626	—	149	26	10,325	5,008	53,333
Non-current assets*								
By entity's country of domicile	216	—	—	1,005	6,597	—	—	7,818

* Excludes: financial instruments, deferred tax assets and post-employment benefit assets.

Three customers accounted for more than 10% of Group revenue each and sales to these customers are as follows (figures in €'000):
1. 22,154 (Taiwan);
2. 10,509 (Taiwan); and
3. 6,289 (Rest of Europe).

9. Earnings per share

Net earnings per share is computed by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted net earnings per share is computed by dividing the loss for the year by the weighted average number of ordinary shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options.

	2015	2014
Basic shares (average)	**156,425,065**	156,353,503
Basic loss per share (Euro cents)	**(8.8)**	(3.0)
Diluted shares (average)	**159,804,673**	160,308,111
Diluted loss per share (Euro cents)	**(8.8)**	(3.0)

As the Group is currently loss making, the diluted loss per share is equal to the basic loss per share.

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

	2015	2014
Shares in issue (see note 26)	**160,278,975**	160,278,975
Weighted average number of EBT shares held	**(3,853,910)**	(3,925,472)
Weighted average number of shares for basic EPS calculation	**156,425,065**	156,353,503
Dilutive share options	**3,379,608**	3,954,608
Weighted average number of shares for fully diluted EPS calculation	**159,804,673**	160,308,111

10. Cash and cash equivalents

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

	As at 31 December	
	2015 €'000	2014 €'000
Cash at bank and in hand	**12,627**	22,754
Short-term bank deposits	**64**	1,838
	12,691	24,592

11. Trade accounts receivable

	As at 31 December	
	2015 €'000	2014 €'000
Japan	**92**	118
Germany	**471**	5
United Kingdom	**5,095**	5,218
	5,658	5,341

All receivables have short-term maturity. During the year net receivables of €418k were written off (2014: €nil).

None 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:

	As at 31 December	
	2015 €'000	2014 €'000
Not more than three months	**—**	—

These amounts represent the Group's maximum exposure to credit risk at the year end. All amounts outstanding as at 31 December 2015 and due at date of signing had been received.

12. Inventories

Inventories include finished goods and work in progress (ingots and blocks), as well as production supplies. The change in inventories is included in the Consolidated Statement of Comprehensive Income in the line "Cost of materials".

	As at 31 December	
	2015 €'000	2014 €'000
Finished products	**1,001**	4,994
Work in progress	**857**	4,220
Raw materials	**21,328**	19,416
	23,186	28,630

Inventory writedowns of €5.5 million are included in cost of materials in 2015 (2014: €nil).

13. Prepaid expenses and other assets

	As at 31 December	
	2015 €'000	2014 €'000
VAT	**354**	2,125
Prepaid expenses	**2,557**	10,122
Energy tax claims	**124**	79
Other current assets	**346**	54
	3,381	12,380

Prepaid expenses primarily comprise polysilicon feedstock deposits.

14. Current tax assets

	As at 31 December	
	2015 €'000	2014 €'000
Income tax recoverable	**5**	16

Income tax recoverable relates to reclaimable capital gains tax on interest received.

15. Intangible assets

Intangible assets relate to software licences.

	Total €'000
Cost	
At 1 January 2015	1,084
Additions	5
Net effect of foreign currency movements	27
At 31 December 2015	**1,116**
Accumulated amortisation	
At 1 January 2015	1,046
Charge for the year	32
Net effect of foreign currency movements	26
At 31 December 2015	**1,104**
Net book amount	
At 31 December 2015	**12**
At 31 December 2014	38

	Total €'000
Cost	
At 1 January 2014	1,061
Additions	22
Net effect of foreign currency movements	1
At 31 December 2014	1,084
Accumulated amortisation	
At 1 January 2014	1,017
Charge for the year	29
Net effect of foreign currency movements	—
At 31 December 2014	1,046
Net book amount	
At 31 December 2014	38
At 31 December 2013	44

16. Property, plant and equipment

	Plant and machinery €'000	Other furniture and equipment €'000	Total €'000
Cost			
At 1 January 2015	81,995	4,612	86,607
Additions	—	19	19
Disposals	(11,679)	(57)	(11,736)
Net effect of foreign currency movements	3,314	118	3,432
At 31 December 2015	**73,630**	**4,692**	**78,322**
Accumulated depreciation			
At 1 January 2015	79,923	4,329	84,252
Charge for the year	222	128	350
On disposals	(11,622)	(54)	(11,676)
Net effect of foreign currency movements	3,236	111	3,347
At 31 December 2015	**71,759**	**4,514**	**76,273**
Net book amount			
At 31 December 2015	**1,871**	**178**	**2,049**
At 31 December 2014	2,072	283	2,355

	Plant and machinery €'000	Other furniture and equipment €'000	Total €'000
Cost			
At 1 January 2014	78,933	4,463	83,396
Additions	169	60	229
Disposals	(468)	(11)	(479)
Net effect of foreign currency movements	3,361	100	3,461
At 31 December 2014	81,995	4,612	86,607
Accumulated depreciation			
At 1 January 2014	76,883	4,162	81,045
Charge for the year	228	80	308
On disposals	(468)	(11)	(479)
Net effect of foreign currency movements	3,280	98	3,378
At 31 December 2014	79,923	4,329	84,252
Net book amount			
At 31 December 2014	2,072	283	2,355
At 31 December 2013	2,050	301	2,351

17. Other non-current assets

	As at 31 December	
	2015 €'000	2014 €'000
Polysilicon feedstock deposits (covering periods to 2018)	**5,179**	5,288
Prepaid expenses	**—**	83
Other assets	**—**	54
	5,179	5,425

18. Deferred taxes

Analysis of deferred tax assets and liabilities:

	2015 €'000	2014 €'000
Tax loss carried forward	**—**	—

Deferred tax assets arising as a result of losses are recognised where, based on the Group's budget, they are expected to be realised in the foreseeable future.

As at 31 December 2015 there were unrecognised potential deferred tax assets in respect of losses of €56.6 million (2014: €49.5 million).

19. Trade accounts payable

	As at 31 December	
	2015 €'000	2014 €'000
Japan	**111**	337
United Kingdom	**701**	928
Germany	**624**	497
	1,436	1,762

The book value of these payables is materially the same as the fair value.

20. Accrued expenses

	2015 €'000	2014 €'000
Rents and ancillary rent costs	**681**	493
Salary related costs	**632**	509
Other accrued expenses	**572**	562
Current accruals	**1,885**	1,564
Non-current accruals	**42**	111
Total accruals	**1,927**	1,675

21. Provisions

Movement in provisions is shown below:

	Onerous contract provision €'000	Warranty provisions €'000	Total €'000
Provisions brought forward	15,541	54	15,595
Unwinding of discount factor	666	—	666
Additional provision	—	—	—
Released	(7,053)	(54)	(7,107)
Exchange differences	1,209	—	1,209
Utilised	(10,363)	—	(10,363)
Provisions carried forward	—	—	—

Warranty provisions unwound over a year from the date of sale, per the terms of the warranty agreement with customers.

The onerous contract provision was an allowance for the loss arising on the difference between raw material costs under these contracts and the anticipated selling price of the Group's end product. This is discussed further in note 1.

22. Deferred grants and subsidies

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 the 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 breach 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 grants and subsidies in the year under review consist of the following:

	As at 31 December	
	2015 €'000	2014 €'000
Investment grants	**70**	111
Current portion	**70**	111

23. Current tax liabilities

	As at 31 December	
	2015 €'000	2014 €'000
United Kingdom	**—**	—
Germany	**116**	155
Japan	**1**	1
	117	156

Current tax liabilities comprise both corporation and other non-VAT 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.

24. Other current liabilities

	As at 31 December	
	2015 €'000	2014 €'000
Payroll liabilities	**30**	32
Other liabilities	**66**	40
	96	72

25. Deferred revenue

Where appropriate 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 2015, such deposits amounted to €3.2 million from one customer (2014: €3.2 million from one customer). Additionally, €0.3 million revenue from one customer was deferred as required by IFRS 15 (2014: €nil).

	As at 31 December	
	2015 €'000	2014 €'000
Current	**3,518**	3,235

26. Share capital

	2015 €'000	2014 €'000
Allotted, called up and fully paid		
160,278,975 (2014: 160,278,975) ordinary shares of 5.2 pence each	**12,332**	12,332

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 to their share in any surplus assets arising. The ordinary shares have full voting rights.

Shares held by the EBT

At 31 December 2015, 3,853,910 ordinary shares of 5.2 pence were held by the EBT (2014: 3,853,910). The market value of these shares was €0.471 million (2014: €0.640 million). Additionally, the cash balance held by the EBT on 31 December 2015 was €0.739 million (2014: €1.015 million).

In December 2014 the directors agreed to write down the value of the shares held by the EBT to the market value at 31 December 2014. The share price was 13 pence per ordinary share of 5.2 pence each. This adjustment altered the value of the shares held by the EBT and reduced retained earnings by €6.868 million.

27. Share-based payment plans

The Group established the PV Crystalox Solar PLC EBT 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.

The Group currently has four share incentive plans in operation which are satisfied by grants from the EBT.

PV Crystalox Solar PLC Performance Share Plan ("PSP")
This plan was approved by shareholders at the 2011 AGM under which awards are made to employees, including executive directors, consisting of a conditional right to receive shares in the Company. The awards will normally vest after the end of a three-year performance period, to the extent that performance conditions are met as detailed in the Directors' Remuneration Report (see pages 19 to 26).

No awards were made during 2015 (2014: nil).

On 26 May 2011 awards over up to 3,038,454 ordinary shares were granted to key senior employees including the three executive directors on the Board at that time. These awards were subject to achieving growth in both total shareholder return and earnings per share in the performance period ending on 31 December 2013. In view of the failure to achieve the minimum required performance as described in the Remuneration Report these awards lapsed.

PV Crystalox Solar PLC Executive Directors' Deferred Share Plan ("EDDSP")
At the AGM on 28 May 2009 a bonus plan (with deferred share element) for executive directors was approved by the Company's shareholders in the context of bringing the arrangements more in line with market practice and aligning executive directors' pay more closely with the interests of the Company's shareholders. Half of each bonus was to be payable in cash and the other half deferred and payable in shares under the EDDSP which vests three years after the award date. Awards of deferred shares under the EDDSP are to be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust.

No awards were made during 2015 (2014: nil). On 24 March 2011 awards over 358,423 shares were made to executive directors; as detailed in the Directors' Remuneration Report the award over 246,416 shares vested in May 2014.

PV Crystalox Solar PLC Long Term Incentive Plan ("LTIP")
This is a long-term incentive scheme under which awards are made to employees consisting of the right to acquire ordinary shares for a nominal price subject to the achievement of specified performance conditions at the end of the vesting period which is not less than three years from the date of grant. Under the LTIP it is possible for awards to be granted which are designated as a Performance Share Award, a Market Value Option or a Nil Cost Option. To date Performance Share Awards and Market Value Options have been granted.

Market Value Option ("MVO")
An MVO is an option with an exercise price per share equal to the market value of a share on the date of grant. The vesting period of each award is three years from the date of grant and the award must be exercised no later than ten years following the date of grant.

On 24 November 2008 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 24 November 2011 at £1.00 per share subject to agreed performance criteria. This option is now exercisable at any time until 23 November 2018.

On 26 March 2009 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 26 March 2012 at 76.0 pence per share subject to agreed performance criteria, and on 25 September 2009 MVO awards over 1,200,000 ordinary shares were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

No awards were issued in 2015 (2014: nil).

PV Crystalox Solar PLC Share Award Bonus Plan ("SABP")
This plan was approved by the Board in January 2014 under which awards can be made to employees, excluding the executive directors. Under the SABP conditional awards are granted for a specific number of ordinary shares which may be acquired for nil consideration. On 30 January 2014 SABP awards were granted to key senior employees over 2,550,000 shares. These awards vested on 31 March 2015 and following the decision of the Remuneration Committee to permit the recipients to receive cash from the EBT to settle the awards all awards were settled in cash.

On 31 March 2015 SABP awards were granted key senior employees over 1,975,000 shares. These awards are due to vest on 31 March 2016.

PV Crystalox Solar PLC Share Incentive Plan ("SIP")
The SIP is an employee share scheme approved by HM Revenue and Customs in accordance with the provisions of Schedule 8 to the Finance Act 2000. On 26 February 2008 awards were granted to UK employees of 500 shares each over a total of 37,000 ordinary shares of 2 pence. These 37,000 ordinary shares of 2 pence each were transferred from the EBT into the SIP. The shares in the SIP were subject to the share consolidation so that each holding of 500 ordinary shares of 2 pence became a holding of 192 shares of 5.2 pence following the 5 for 13 share consolidation in 2013.

No awards vested in 2015. During 2014 awards over 4,608 shares vested due to employees leaving the Group as good leavers due to redundancy or retirement.

The Group recognised a total credit before tax of €269,000 (2014: €181,000) related to equity-settled share-based payment transactions during the year.

27. Share-based payment plans continued

PV Crystalox Solar PLC Share Incentive Plan ("SIP") continued

The number of share options and weighted average exercise price ("WAEP") for each of the schemes is set out as follows:

	PSP* Number	SABP* Number	EDDSP* Number	MVO Number	MVO WAEP price Pence	SIP* Number
Share grants and options outstanding at 1 January 2014	2,185,731	—	246,416	1,400,000	79.7	9,216
Share grants and options granted during the year	—	2,550,000	—	—	—	—
Share grants and options forfeited during the year	(2,185,731)	—	—	—	—	—
Share grants vested during the year	—	—	(246,416)	—	—	(4,608)
Options exercised during the year	—	—	—	—	—	—
Share grants and options outstanding at 31 December 2014	—	2,550,000	—	1,400,000	79.7	4,608
Exercisable at 31 December 2014	—	—	—	1,400,000	79.7	—
Share grants and options granted during the year	—	1,975,000	—	—	—	—
Share grants and options forfeited during the year	—	(2,550,000)	—	—	—	—
Share grants vested during the year	—	—	—	—	—	—
Options exercised during the year	—	—	—	—	—	—
Share grants and options outstanding at 31 December 2015	**—**	**1,975,000**	**—**	**1,400,000**	**79.7**	**4,608**
Exercisable at 31 December 2015	**—**	**—**	**—**	**1,400,000**	**79.7**	**—**

* The weighted average exercise price for the PSP, SABP, PSA and SIP options is £nil.

No share options were exercised during the year and no options were exercised in 2014.

28. Risk management

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

Credit risk

The main credit risk arises from accounts receivable. All trade receivables are of a short-term nature, with maximum payment terms of 60 days, although the majority of customers currently have payment terms of 45 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 number of customers. In 2015 42.3% of the Group's sales are related to the largest customer (2014: 41.5%). The number of customers accounting for approximately 95% of the annual revenue was ten, which was up from seven in 2014. 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 for security depending on local restrictions prevalent on the respective markets. The maximum credit risk to the Group is the total of accounts receivable, details of which can be seen in note 11.

Cash is not considered to be a high credit risk due to all funds being immediately available, consideration being given to the institution in which it is deposited and the setting of counterparty limits. All institutions used have a minimum Moody's credit rating of Ba3.

Exchange rate fluctuation risks

In the financial year 2015 95% (2014: 93%) of sales revenue was invoiced in US Dollars potentially exposing the Group to exchange rate risks.

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 United Kingdom. The exchange rate risk is based on assets held in currencies other than Euros.

The spot prices of wafers and polysilicon are quoted in US Dollars and this influences the price the Group can obtain. The Group sells its products in a number of currencies (mainly US Dollars, Euros and Japanese Yen) and also purchases goods and services in a number of currencies (mainly Euros, Japanese Yen, Sterling and to a small extent US Dollars).

28. Risk management continued

Exchange rate fluctuation risks continued

The following exchange rates were used to translate individual companies' financial information into the Group's presentational currency:

	Average rate	Year-end rate
Euro: Japanese Yen	134.34	131.28
Euro: US Dollar	1.1101	1.0908
Sterling: Euro	1.3771	1.3570

Hedging strategy

The Group sells to customers in the worldwide photovoltaic market and sells in two main currencies: US Dollars (95%) and Euros (5%). It operates its wafering factory within the eurozone and during the early part of 2015 paid for the subcontracting of wafer production in Japan in Japanese Yen. However, the ingot manufacturing operation is within the United Kingdom and therefore a relatively small proportion of overall costs are in Sterling, being mainly related to personnel costs, overheads and utilities (most of the raw materials are purchased in Euros and Japanese Yen).

During 2015 the net loss on foreign currency adjustments was €0.2 million (2014: gain of €9.0 million). The prior year gain was mainly related to the revaluation of balance sheet provisions (in particular the onerous contract provision, the conversion of currency balances in respect of Group advances or loans, currency debtor/creditor balances, currency advance payments to raw material suppliers and currency cash balances). These can be broken down into the following broad categories:

	2015 €'million	2014 €'million
Revaluation of cash balances	**0.2**	(0.1)
Revaluation of Group loans/intercompany account	**(0.1)**	(0.1)
Revaluation of Group raw material deposits	**0.4**	(1.3)
Accounts receivable/accounts payable revaluation	**(0.3)**	0.2
Revaluation of balance sheet provisions	**—**	10.3
Total currency (loss)/gain	**(0.2)**	9.0

In addition to the above, upon translation of net assets in the consolidation, there was a positive impact in 2015 of €2.9 million (2014: €2.5 million) recording as a currency translation adjustment which is shown in the Consolidated Statement of Comprehensive Income as "other comprehensive income".

Interest rate risk

The Group has limited exposure to interest rate fluctuation risks, since the Group does not have any borrowings.

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

The Group had a cash balance at the end of 2015 of €12.7 million (2014: €24.6 million) and places these cash funds on deposit with various quality banks subject to a counterparty limit of €15 million. Accordingly, there is an interest rate risk in respect of interest receivable which amounted to €0.1 million in the year (2014: €0.1 million). The Group is cash positive and current interest rates are low. The risk of interest rates falling is considered small and in any case would have a small impact on the Group's income statement and cash flows. Group management considers that in the medium term it is more likely that interest rates might rise. The impact of interest rate rises would positively impact the Group's profits and cash flow.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its exposure to liquidity risk by regularly reviewing net debt and forecast cash flows to ensure that current cash resources are available to meet its business objectives. The Group is exposed to the worldwide photovoltaic market where wafer prices have remained below industry production costs for several years. Accordingly, the market pricing of the Group's main product (silicon wafers) has been under pressure. Against this difficult market background, Group management introduced a cash conservation strategy in 2011. This cash conservation plan has been maintained, so that the Group can optimise its cash position whilst these conditions persist. Various measures have been taken to adjust production to levels appropriate to current market conditions. At the same time production capacity has been maintained so that this can be utilised when market conditions allow. The next phase of the cash conservation plan covers the period until 31 December 2015. Due to changing market and economic conditions, the expenses and liabilities actually arising in the future may differ materially from the estimates made in this plan.

On 31 December 2015 the Group had a net cash balance of €12.7 million (2014: €24.6 million) and this together with cash flow projections from the cash conservation plan indicate, assuming the projections are broadly correct, that the Group will have adequate cash reserves until at least twelve months beyond the signing of the accounts.

Financial assets and liabilities

	Book value €'000	Loan and receivables €'000	Amortised cost €'000	Non-financial €'000	Total €'000
2015					
Assets:					
Cash and cash equivalents	12,691	12,691	—	—	12,691
Accounts receivable	5,658	5,658	—	—	5,658
Prepaid expenses and other assets	3,381	—	—	3,381	3,381
Non-financial assets	30,431	—	—	30,431	30,431
Total	**52,161**	**18,349**	**—**	**33,812**	**52,161**
Liabilities:					
Accounts payable trade	(1,436)	—	(1,436)	—	(1,436)
Accrued expenses	(1,927)	—	(1,927)	—	(1,927)
Provisions	—	—	—	—	—
Miscellaneous current liabilities	(96)	—	—	(96)	(96)
Miscellaneous long-term liabilities	(222)	—	(222)	—	(222)
Non-financial liabilities	(3,705)	—	—	(3,705)	(3,705)
Total	**(7,386)**	**—**	**(3,585)**	**(3,801)**	**(7,386)**
2014					
Assets:					
Cash and cash equivalents	24,592	24,592	—	—	24,592
Accounts receivable	5,341	5,341	—	—	5,341
Prepaid expenses and other assets	12,380	54	—	12,326	12,380
Non-financial assets	36,464	—	—	36,464	36,464
Total	78,777	29,987	—	48,790	78,777
Liabilities:					
Accounts payable trade	(1,762)	—	(1,762)	—	(1,762)
Accrued expenses	(1,675)	—	(1,675)	—	(1,675)
Provisions	(15,596)	—	—	(15,596)	(15,596)
Miscellaneous current liabilities	(72)	—	—	(72)	(72)
Miscellaneous long-term liabilities	(236)	—	(236)	—	(236)
Non-financial liabilities	(3,502)	—	—	(3,502)	(3,502)
Total	(22,843)	—	(3,673)	(19,170)	(22,843)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and other stakeholders and to maintain an optimal capital structure that strikes the appropriate balance between risk and the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group from time to time uses debt as a natural hedging instrument, where amounts are borrowed in the same foreign currency as it holds assets (for instance debtors) denominated in the same foreign currency. However, these borrowings have always been lower than the balance of cash and cash equivalents in any period. Accordingly, the Group has maintained a net cash positive position. This is a different approach to others in the photovoltaic industry where being heavily indebted (particularly in China) has become the norm. The directors believe that the Group's policy of not carrying any net debt has significantly reduced the Group's risk, which has been particularly important during the current extremely difficult market conditions.

The Group defines capital as all elements of equity.

28. Risk management continued

Capital management continued

The Group's capital (plus its cash and cash equivalents) is set out in the following table. The Group is not subject to any externally imposed capital requirements.

	2015 €'000	2014 €'000
Cash and cash equivalents (see note 10)	12,691	24,592
Bank and other borrowings	—	—
Total net cash	12,691	24,592
Total equity	44,775	55,934

The Group is net cash positive and therefore does not have any gearing. Accordingly, the leverage ratio has no meaning and has not been calculated.

29. Calculation of fair value

There are no publicly traded financial instruments (e.g. publicly traded derivatives and securities held for trading and available-for-sale securities) nor any other financial instruments held at fair value.

30. 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 are pending at the time of approval of these financial statements.

31. Other financial obligations

Lease agreements (operating leases)

The leases primarily relate to rented buildings and have terms of no more than six years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2015 €'000	2014 €'000
Less than one year	1,310	1,056
Two to five years	2,740	2,855
Longer than five years	227	556
	4,277	4,467

There were no significant purchase commitments at the year end.

32. Related party disclosures

Related parties as defined by IAS 24 comprise the senior executives of the Group and also companies that these persons could have a material influence on as related parties as well as other Group companies. During the reporting year, none of the shareholders had control over or a material influence in the parent company.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

As part of a settlement with the administrators of a previous customer, Iain Dorrity is one of three directors of a subsequently formed special purpose vehicle ("SPV").

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.

33. Dividends and return of cash

No dividends were paid in 2015 (2014: €nil).

34. Post balance sheet events

There are no significant post balance sheet events.

Report on the Company financial statements

Our opinion

In our opinion, PV Crystalox Solar PLC's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Company Balance Sheet as at 31 December 2015;
- the Company Cash Flow Statement for the year then ended;
- the accounting policies for the year then ended; and
- the notes to the Company financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101, "Reduced Disclosure Framework".

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2015.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
16 March 2016

Basis of preparation

The financial statements of PV Crystalox Solar PLC (Company only) have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), on a going concern basis (see the going concern section on page 05 in the Operational and Financial Review), under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in this accounting policies note.

The principal accounting policies of the Company have remained unchanged from the previous year, have been consistently applied throughout the year and are set out below.

This is the first year that the Company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was 1 January 2015.

Upon transition, no adjustments were noted that would create reconciling items between UK GAAP as previously reported and FRS 101 for profit for the financial year ended 31 December 2014 and total equity as at 1 January 2014 and 31 December 2014. As such, it has not been necessary to present a reconciliation of equity reported in accordance with previous UK GAAP to equity in accordance with FRS 101 for the date of transition to FRS 101 and 31 December 2014 in accordance with previous UK GAAP, nor a reconciliation to total comprehensive income in accordance with FRS 101 for 31 December 2014.

Profit and losses of the parent company

The Company has taken advantage of Section 408 of the Companies Act 2006 excluding it from presenting a Company-only statement of profit and loss and related notes.

Employee Benefit Trust ("EBT")

All assets and liabilities of the EBT have been included in these financial statements as the Company has de facto control over the trust's net assets as its sponsoring company.

Fixed asset investments

Fixed asset investments are included at cost and reviewed annually for impairment. Consistent with their assessment for note 8 of the Notes to the Consolidated Financial Statements, the directors consider the Group to form one income-generating unit. Therefore, the impairment assessment is performed for whole investment balance rather than individually.

Financial instruments – classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit or loss. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Share-based payment
The Company issues equity-settled share-based payments to certain employees of the Group. These are measured at their fair value at the date of the grant using an appropriate option pricing model and are expensed over the vesting year, based on the estimate of the number of shares that will eventually vest. The share options granted are subject to performance criteria required for the option to vest and are considered in the method of measuring fair value.

Charges made to the profit and loss account in respect of share-based payments are credited to the share-based payment reserve. Costs incurred by the issue of equity-settled share-based awards to the employees of subsidiaries are recharged to the relevant company.

Foreign currencies
Monetary 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 the date appropriate for the transaction.

Cash and cash equivalents
The Company holds all its cash in instant access bank accounts and has no other cash equivalents.

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Fixed asset investments

The Company makes an estimate of the recoverable amount of fixed asset investments. When assessing a possible impairment management considers factors including the net assets of the subsidiaries and the value attached to customer contracts which is not reflected in the net assets.

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investments	1	**50,794**	55,699
Current assets			
Trade and other receivables	2	**14,834**	8,085
Cash and cash equivalents		**422**	780
Trade and other payables	4	**(2,340)**	(441)
Net current assets		**12,916**	8,424
Total assets less current liabilities		**63,710**	64,123
Capital and reserves			
Called up equity share capital	5	**8,335**	8,335
Share premium account	6	**30,353**	30,353
Other reserves	6	**20,896**	20,896
Investment in own shares	6	**(489)**	(489)
Share-based payment reserve	6	**391**	613
Profit and loss account	6	**4,224**	4,415
Total shareholders' funds	6	**63,710**	64,123

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2016 and signed on its behalf by:

Iain Dorrity
Chief Executive Officer

Company number
06019466

	2015 £'000	2014 £'000
Loss before taxes	**(192)**	(5,060)
Adjustments for:		
Net interest expense	**(35)**	(9)
Charge for share-based payments	**(222)**	(442)
Writedown of investment in own shares	**—**	4,987
Writedown of investment	**4,905**	5,860
Losses in foreign currency exchange	**60**	86
	4,516	5,422
Changes in working capital		
Increase in trade and other receivables	**(6,807)**	(5,942)
Increase in trade and other payables	**1,898**	173
	(393)	(347)
Interest received	**74**	9
Net cash used in operating activities	**(319)**	(338)
Cash flow from financing activities		
Interest paid	**(39)**	—
Net cash used in financing activities	**(39)**	—
Cash generated from operations	**(358)**	(338)
Cash and cash equivalents at the beginning of the year	**780**	1,118
Cash and cash equivalents at the end of the year	**422**	780

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

1. Investments

Shares in subsidiary undertakings

	£'000
Cost and net book value	
At 1 January 2015	55,699
Impairment	(4,905)
At 31 December 2015	**50,794**

Impairment in the year relates to a reduction in the underlying net assets of the investment in PV Crystalox Solar KK following its payment of a dividend to the Company of £4.905 million during the year.

At 31 December 2015 the Company held 100% of the allotted ordinary share capital of the following undertakings:

Subsidiary	Country of incorporation	Activity	Proportion held %
Crystalox Solar Limited	UK	Holding company	100
Crystalox Limited	UK	Trading company	100*
PV Crystalox Solar KK	Japan	Trading company	100*
PV Crystalox Solar Silicon GmbH	Germany	Trading company	100

* Held indirectly through Crystalox Solar Limited.

These subsidiaries are consolidated in the Group financial statements included in this document.

The directors believe that the carrying value (after the impairment discussed above) of the investments is supported by their net realisable value.

2. Debtors

	2015 £'000	2014 £'000
Amounts owed by Group undertakings (note 13)	**14,278**	7,256
Other debtors	**542**	792
Prepayments and accrued income	**14**	37
	14,834	8,085

Amounts owed by Group undertakings are unsecured at varying rates of interest and are repayable on demand.

3. Investment in own shares

Employee Benefit Trust

The Company established the EBT, 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. Shares from the EBT are used to settle awards made under the share-based payment plans as described in note 8.

Shares held by the EBT	2015 Number	2014 Number
Opening balance	**3,853,910**	4,100,326
Vesting of shares granted in 2010	**—**	(246,416)
Closing balance of shares at 5.2 pence (2014: 5.2 pence)	**3,853,910**	3,853,910

At 31 December 2015, 3,853,910 ordinary shares of 5.2 pence were held by the EBT (2014: 3,853,910 ordinary shares of 5.2 pence). The market value of these shares was £0.347 million (2014: £0.501 million). Additionally, the EBT holds a cash balance which on 31 December 2015 was £0.542 million (2014: £0.794 million).

4. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	**2,211**	—
Accruals and deferred income	**129**	441
	2,340	441

All amounts owed to Group undertakings are unsecured, repayable on demand and subject to interest at 2.0%.

5. Called up share capital

Ordinary shares of 5.2 pence each (2014: 5.2 pence).

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
160,278,975 (2014: 160,278,975) ordinary shares of 5.2 pence each	**8,335**	8,335

6. Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Shares held by the EBT £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total shareholder funds £'000
As at 1 January 2014	8,335	30,353	20,896	(5,476)	1,055	9,475	64,638
Share-based payment charge	—	—	—	45	(442)	145	(252)
Adjustment to share valuation in the EBT	—	—	—	4,942	—	(4,942)	—
Transactions with owners	—	—	—	4,987	(442)	(4,797)	(252)
Profit for the year	—	—	—	—	—	(263)	(263)
Total comprehensive income	—	—	—	—	—	(263)	(263)
As at 31 December 2014	8,335	30,353	20,896	(489)	613	4,415	64,123
As at 1 January 2015	8,335	30,353	20,896	(489)	613	4,415	64,123
Share-based payment charge	—	—	—	—	(222)	—	(222)
Transactions with owners	**—**	**—**	**—**	**—**	**(222)**	**—**	**(222)**
Profit for the year	—	—	—	—	—	(191)	(191)
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(191)**	**(191)**
As at 31 December 2015	**8,335**	**30,353**	**20,896**	**(489)**	**391**	**4,224**	**63,710**

Shares held by the EBT

In December 2014 the directors agreed to write down the value of the shares held by the EBT to the market value at 31 December 2014. The share price was 13.0 pence per ordinary share of 5.2 pence each. This adjustment altered the value of the shares held by the EBT and reduced retained earnings by £4.942 million.

7. Share-based payment plans

The Group established the PV Crystalox Solar PLC EBT 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.

The Group currently has four share incentive plans in operation which are satisfied by grants from the EBT.

PV Crystalox Solar PLC Performance Share Plan ("PSP")

This plan was approved by shareholders at the 2011 AGM under which awards are made to employees, including executive directors, consisting of a conditional right to receive shares in the Company. The awards will normally vest after the end of a three-year performance period, to the extent that performance conditions are met as detailed in the Directors' Remuneration Report.

No awards were made during 2015 (2014: nil).

PV Crystalox Solar PLC Executive Directors Deferred Share Plan ("EDDSP")

At the AGM on 28 May 2009 a bonus plan (with deferred share element) for executive directors was approved by the Company's shareholders in the context of bringing the arrangements more in line with market practice and aligning executive directors' pay more closely with the interests of the Company's shareholders. Half of each bonus was to be payable in cash and the other half deferred and payable in shares under the EDDSP which vests three years after the award date. Awards of deferred shares under the EDDSP are to be satisfied on vesting by the transfer of shares from the existing PV Crystalox Solar PLC Employee Benefit Trust.

No awards were made during 2015 (2014: nil). On 24 March 2011 awards over 358,423 shares were made to executive directors; as detailed in the Directors' Remuneration Report the award over 246,416 shares vested in May 2014.

PV Crystalox Solar PLC Long Term Incentive Plan ("LTIP")

This is a long-term incentive scheme under which awards are made to employees consisting of the right to acquire ordinary shares for a nominal price subject to the achievement of specified performance conditions at the end of the vesting period which is not less than three years from the date of grant. Under the LTIP it is possible for awards to be granted which are designated as a Performance Share Award, a Market Value Option or a Nil Cost Option. To date Performance Share Awards and Market Value Options have been granted.

Performance Share Award ("PSA")

A PSA is a conditional award of a specified number of ordinary shares which may be acquired for nil consideration. The PSAs granted to date have all been initial awards where there is no specified performance condition. The vesting period of each award is three years from the date of grant.

No awards were issued in 2015 (2014: nil). No awards are outstanding under this scheme.

Market Value Option ("MVO")

An MVO is an option with an exercise price per share equal to the market value of a share on the date of grant. The vesting period of each award is three years from the date of grant and the award must be exercised no later than ten years following the date of grant.

On 24 November 2008 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 24 November 2011 at £1.00 per share subject to agreed performance criteria. This option is now exercisable at any time until 23 November 2018.

On 26 March 2009 an MVO over 200,000 ordinary shares was granted to a senior employee and this option is exercisable from 26 March 2012 at 76.0 pence per share subject to agreed performance criteria, and on 25 September 2009 MVO awards over 1,200,000 ordinary shares were granted to key senior employees and these options are exercisable from 25 September 2012 at 76.9 pence per share subject to agreed performance criteria.

No awards were issued in 2015 (2014: nil).

PV Crystalox Solar PLC Share Award Bonus Plan ("SABP")

This plan was approved by the Board in January 2014 under which awards can be made to employees, excluding the executive directors. Under the SABP conditional awards are granted for a specific number of ordinary shares which may be acquired for nil consideration. On 30 January 2014 SABP awards were granted to key senior employees over 2,550,000 shares. These awards are due to vest on 31 March 2015.

7. Share-based payment plans continued

PV Crystalox Solar PLC Share Incentive Plan ("SIP")

The SIP is an employee share scheme approved by HM Revenue and Customs in accordance with the provisions of Schedule 8 to the Finance Act 2000. On 26 February 2008 awards were granted to UK employees of 500 shares each over a total of 37,000 ordinary shares of 2 pence. These 37,000 ordinary shares of 2 pence each were transferred from the EBT into the SIP. The shares in the SIP were subject to the share consolidation so that each holding of 500 ordinary shares of 2 pence became a holding of 192 shares of 5.2 pence following the 5 for 13 share consolidation in 2013.

During 2014 awards over 4,608 shares vested due to employees leaving the Group as good leavers due to redundancy or retirement.

The Group recognised total credit before tax of £222,000 (2014: £442,000) related to equity-settled share-based payment transactions during the year.

The number of share options and weighted average exercise price ("WAEP") for each of the schemes is set out as follows:

	PSP* Number	SABP* Number	EDDSP* Number	MVO Number	MVO WAEP price Pence	SIP* Number
Share grants and options outstanding at 1 January 2014	2,185,731	—	246,416	1,400,000	79.7	9,216
Share grants and options granted during the year	—	2,550,000	—	—	—	—
Share grants and options forfeited during the year	(2,185,731)	—	—	—	—	—
Share grants vested during the year	—	—	(246,416)	—	—	(4,608)
Options exercised during the year	—	—	—	—	—	—
Share grants and options outstanding at 31 December 2014	—	2,550,000	—	1,400,000	79.7	4,608
Exercisable at 31 December 2014	—	—	—	1,400,000	79.7	—
Share grants and options granted during the year	—	1,975,000	—	—	—	—
Share grants and options forfeited during the year	—	(2,550,000)	—	—	—	—
Share grants vested during the year	—	—	—	—	—	—
Options exercised during the year	—	—	—	—	—	—
Share grants and options outstanding at 31 December 2015	**—**	**1,975,000**	**—**	**1,400,000**	**79.7**	**4,608**
Exercisable at 31 December 2015	**—**	**—**	**—**	**1,400,000**	**79.7**	**—**

* The weighted average exercise price for the PSP, SABP, PSA and SIP options is £nil.

No share options were exercised during the year and no options were exercised in 2014.

8. Auditors' remuneration

	2015 £'000	2014 £'000
Audit fee in respect of the separate financial statements of the Company	**7**	7

The disclosure of fees payable to the auditors and their associates for other (non-audit) services has not been made because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

9. Dividends paid/shareholder return

No dividends were paid in 2015 (2014: £nil).

10. Dividends received

Dividends were received in 2015 of £4.9 million from PV Crystalox Solar KK (2014: £5.9 million).

11. Capital commitments

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

12. Risk management

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

Credit risk

The main credit risk arises from trade and other receivables. The majority of trade and other receivables relate to amounts owed by Group undertakings.

Cash is not considered to be a high credit risk due to all funds being immediately available, consideration being given to the institution in which it is deposited and the setting of counterparty limits. All institutions used have a minimum Moody's credit rating of Ba3.

Exchange rate fluctuation risks

In the financial year 2015 intercompany management charges were invoiced in the currency of the subsidiary. All of these were outstanding at the year end. The management charges from 2014 were settled during 2014 which resulted in a gain or loss depending on the movement of the exchange rate since the 2014 year end.

At the start of 2015 the Company was owed €1.5 million by PV Crystalox Solar GmbH i.L. for dividends which had been declared but not paid. €1.0 million of this was settled in 2015 and the remaining €0.5 million was settled in Q1 2016. The retranslation of this balance resulted in losses on exchange during 2015.

All funds are held in Sterling so there is no exposure to exchange rate fluctuations.

Interest rate risk

The Group has limited exposure to interest rate fluctuation risks, since the Group does not have any borrowings.

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

The majority of the trade and other creditors relate to amounts owed to Group undertakings. All of this amount is in relation to a loan from PV Crystalox Solar Silicon GmbH. There is a matching amount in intercompany receivables in relation to a loan to Crystalox Limited. These loans are on identical terms so any change in interest rates would increase or decrease the interest income and interest charge by the same amount.

The Company had a cash balance at the end of 2015 of £0.4 million (2014: £0.8 million) and places these cash funds on deposit. Accordingly, there is an interest rate risk in respect of interest receivable which is negligible. The Company is cash positive and current interest rates are low. The risk of interest rates falling is considered small and in any case would have a small impact on the Group's income statement and cash flows. Management considers that in the medium term it is more likely that interest rates might rise. The impact of interest rate rises would positively impact the Company's profits and cash flow.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Group manages its exposure to liquidity risk by regularly reviewing net debt and forecast cash flows to ensure that current cash resources are available to meet its business objectives. The Group invoices its subsidiaries management charges to recover part of its overheads and in addition has significant net intra-group amounts owed by Group subsidiaries of £12.1 million (2014: £7.2 million) which are repayable on demand.

On 31 December 2015 the Company had a net cash balance of £0.4 million (2014: £0.8 million) and this, together with forecast cash flow projections from the settlement of intra-group invoices and the forecast payment of €0.5 million from PV Crystalox Solar GmbH i.L. in Q1 2016, and means that the Company will have adequate cash reserves until at least twelve months beyond the signing of the accounts.

12. Risk management continued

Financial assets and liabilities

	Book value £'000	Loan and receivables £'000	Amortised cost £'000	Non-financial £'000	Total £'000
2015					
Assets:					
Cash and cash equivalents	422	422	—	—	422
Trade and other receivables	14,834	14,834	—	—	14,834
Non-financial assets	50,794	—	—	50,794	50,794
Total	**66,050**	**15,256**	**—**	**50,794**	**66,050**
Liabilities:					
Trade and other payables	(2,340)	—	(2,340)	—	(2,340)
Total	**(2,340)**	**—**	**(2,340)**	**—**	**(2,340)**
2014					
Assets:					
Cash and cash equivalents	780	780	—	—	780
Trade and other receivables	8,085	8,085	—	—	8,085
Non-financial assets	55,699	—	—	55,699	55,699
Total	64,564	8,865	—	55,699	64,564
Liabilities:					
Trade and other payables	(441)	—	(441)	—	(441)
Total	(441)	—	(441)	—	(441)

13. Related party disclosures

Related parties as defined by IAS 24 comprise the senior executives of the Group and also companies that these persons could have a material influence on as related parties as well as other Group companies. During the reporting year, none of the shareholders had control over or a material influence in the Company.

The following transactions with subsidiaries occurred in the year:

	2015 £'000	2014 £'000
Management recharges to subsidiaries	**592**	830
Dividends received from subsidiaries	**4,905**	5,860

Management services are provided to the subsidiaries on a cost-plus basis. In addition recharges relating to share-base payment plans are raised based on awards made to those Group employees who are employed by that subsidiary.

	2015 £'000	2014 £'000
Loans to related parties		
As at 1 January	**7,256**	1,435
Loans advanced in the year	**8,088**	6,040
Loans repaid in the year	**(1,575)**	(969)
Management charges	**592**	830
Interest receivable	**73**	6
Foreign exchange differences	**(156)**	(86)
As at 31 December (note 2)	**14,278**	7,256

13. Related party disclosures continued

	2015 £'000	2014 £'000
Loans from related parties		
As at 1 January	—	—
Loans advanced in the year	2,306	—
Loans repaid in the year	(38)	—
Interest payable	39	—
Foreign exchange differences	(96)	—
As at 31 December (note 4)	**2,211**	—

Short-term cash funding is provided to subsidiary undertakings in the Group in order to finance operating expenses and working capital requirements which are not covered by current revenues. Monies advanced are repayable on demand.

The loan from the related party was used to provide finance for another subsidiary on the same terms. This loan has been repaid since the year end.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

As part of a settlement with the administrators of a previous customer, Iain Dorrity is one of three directors of a subsequently formed SPV.

The remuneration of the directors, who are the key management personnel of the Company and the Group, is set out in the audited part of the Directors' Remuneration Report.

14. Post balance sheet events

There were no post balance sheet events.

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