PV Crystalox Solar PLC

Annual report and accounts 2016

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

Overview

- Industry environment has deteriorated sharply in the second half of the year
- Wafer shipments were 114MW (2015: 203MW)
- Significant reduction in polysilicon inventory and consequent release of cash
- United Kingdom ingot production expected to close during 2017
- Termination of final major long-term polysilicon contract agreed in September 2016
- ICC arbitration evidentiary hearing scheduled for end of March 2017

Revenues
€56.7m
2015: €64.5m

Net cash
€28.8m
2015: €12.7m

Inventories
€11.2m
2015: €23.2m

Net cash from operating activities
€18.0m
2015: €(12.9)m

EBT (earnings before taxation)
€1.7m
2015: €(13.7)m

Find more online at
www.pvcrystalox.com

"The Board remains mindful of the need to protect shareholder value and, despite the deteriorating industry situation, believes that extending the period of the strategic review until the judgement of the arbitral tribunal is received in Q3 2017 is in the best interests of shareholders.

John Sleeman, Chairman

Dear Shareholder

Despite 2016 being another record year for global PV installations, market conditions deteriorated sharply in H2 2016 with wafer prices reaching new historic lows. In view of the difficult industry environment, which has persisted since 2011, the Group has been operating under a cash conservation strategy to protect shareholder value whilst preserving the Group's core production capabilities. The Board has been conducting an ongoing strategic review and has now made the decision to close its ingot production facilities in the United Kingdom during 2017. The Group will instead source ingots from a third party supplier and process these into blocks in the United Kingdom and continue to supply wafers to customers from its facility in Germany.

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. A request for arbitration was filed in March 2015 with the International Court of Arbitration of the International Chamber of Commerce and the evidentiary hearing of the arbitral tribunal is scheduled to take place in Frankfurt at the end of March 2017. The judgement of the arbitral tribunal is not expected before Q3 2017.

In September 2016 the Group successfully negotiated the termination of its remaining long-term polysilicon purchase contract. This contract required the Group to purchase polysilicon at prices considerably in excess of market prices and shipments were scheduled to continue until late 2018. The Group forfeited a significant portion of the prepayment outstanding as at 31 December 2015 and received the remainder in cash in Q4 2016. The obligations under the other larger contract had been concluded successfully at the end of 2015.

Wafer sales volumes in 2016 of 114MW were markedly below the 203MW achieved in 2015 but we were successful in trading much higher polysilicon volumes and significantly reduced our inventory accordingly. Total revenue of €56.7 million was 12.1% lower than in the prior year. Despite the difficult market conditions in H2 2016, we achieved a profit before tax of €1.7 million, which represents a significant improvement on the loss of €13.7 million recorded in 2015. Net cash of €28.8 million at the end of the period was €16.1 million higher than at the beginning of the year largely as a result of reducing inventory by €12.0 million.

Our employees have been vital to the Group's ability to pursue the cash conservation strategy since 2011 and I would like to thank all of them for their commitment and contribution during these challenging times.

The Board remains committed to maintaining governance at their historic levels to ensure that the right people, systems and processes are in place to manage risk and to deliver the Group's agreed strategy. These governance levels are above those required for a company with a standard listing.

The Board has agreed that it is now more appropriate to report against the Quoted Companies Alliance Code rather than the United Kingdom Corporate Governance Code from 2012, which we reported against last year, or the current 2014 Code. Our internal review found that the Board is operating effectively, and full details of our governance activities can be found in the Governance section of the Annual Report.

The Board remains mindful of the need to protect shareholder value and, despite the deteriorating industry situation, believes that extending the period of the strategic review until the judgement of the arbitral tribunal is received in Q3 2017 is in the best interests of shareholders.

John Sleeman
Chairman
22 March 2017

Since 2011 the PV market environment has been extremely challenging and these adverse conditions persisted in 2016. The relentless pressure on pricing continued despite another year of strong growth in global PV installations.

Iain Dorrity, Chief Executive Officer

Operational review of 2016

Market environment

Since 2011 the PV market environment has been extremely challenging and these adverse conditions persisted in 2016. The relentless pressure on pricing continued despite another year of strong growth in global PV installations. Wafer producers enjoyed a brief respite in the early months of 2016 when market conditions were favourable with a combination of strong demand, stable prices and low polysilicon pricing. However this period was short-lived as wafer prices fell progressively during Q2 2016 while polysilicon prices increased. The industry environment deteriorated markedly during Q3 2016 as a result of the slowdown in PV installations in China, which weakened demand and led to over-supply across the value chain and falling prices. Wafer pricing fell more rapidly during this period, reaching a new historic low in late September, down 35% from the previous low point seen in mid-2015 and down 40% from the high at the beginning of 2016.

Over-supply across the value chain, primarily in China, continues to plague the industry with little sign of any slowdown in the expansion of manufacturing capacity. China has further increased its dominant position according to the China Photovoltaic Industry Association ("CPIA") which reported that China-based manufacturers of polysilicon, wafers, solar cells and PV modules had expanded production capacities by 18%, 31%, 20% and 16% respectively during 2016. Over-capacity and the associated price pressure is particularly severe in multicrystalline wafer and cell production and has led to a number of companies shifting production to higher efficiency monocrystalline products where demand is growing and which are in a relatively shorter supply.

Group operations in 2016

Wafers

Following the suspension of subcontract wafer production in Japan during 2015, the Group has focused on wafering at its own facility in Germany where the cost structure is more favourable and has effectively been operating with reduced production output in comparison with recent years. Wafer shipments during 2016 were 114MW (2015: 203MW) with a further 10MW shipped as blocks for wafering by our customers. The Group had significant polysilicon inventory at the end of 2015 which was written down to market values at that time. Due to a combination of the low polysilicon price, favourable wafer pricing during H1 and the developing French low carbon footprint PV market in H2, we were able to maintain an average wafer sales price which was above the cash cost of production during the year.

The French government has set aggressive growth targets for PV and is planning to almost treble installed PV capacity from 6.8GW at the end of 2016 to between 18.2GW and 20.2GW by 2023. Our wafers have previously commanded a price premium when used in modules for the French PV market where incentives in the form of higher feed-in tariffs were offered when two out of the three parts of the manufacturing process (wafer/cell/module) are carried out in the EU. More recently the French government has introduced programmes which incentivise low carbon footprint installations. In December 2015, 800MW of PV projects were awarded under the CR3 tender and installations must be completed within a two-year period. Subsequently contracts have just been awarded in March 2017 for the first 500MW tender of its 3GW large-scale CR4 programme.

The Group benefited from the CR3 scheme during H2 2016 as the carbon footprint obtained by wafering in Germany is lower than product produced in China and Taiwan, the major manufacturing locations. This special market supports demand but only provides limited insulation from the pricing pressure which is currently ravaging the PV industry.

Polysilicon contracts and polysilicon revenue

In common with most PV companies, the Group has laboured for several years under the burden of long-term contracts for the purchase of polysilicon. The pricing in these contracts, signed at a time when polysilicon was in short supply, was significantly in excess of market prices which fell sharply in the years following the PV market upheaval in 2011. The Group had two separate contracts with different suppliers and concluded its obligations under the major contract at the end of 2015. The second contract was originally agreed in 2008 when polysilicon prices were around four times current spot levels. The contract was amended in 2014 to adjust both the pricing and the volumes and extend the purchase period until 2018. Following discussions with the supplier an agreement was reached in September 2016 to terminate the contract and cease any further purchase obligations. The Group forfeited a significant portion of the outstanding polysilicon feedstock deposit and received a cash refund for the remainder.

Although the Group was successful in reaching agreement to adjust prices under the polysilicon contracts, the annual purchase volumes were considerably in excess of production requirements following the decision to reduce wafer output, as a result of the Group's cash conservation policy. In order to manage inventory volumes over the years it has been necessary to trade polysilicon.

Nevertheless a slowdown in the polysilicon market led to a significant build up in raw material inventory at the end of 2015. In line with normal accounting policy this was written down to market value at that time. The trading activity resumed with particular success during 2016 and the Group was able to take advantage of the strong polysilicon demand especially when pricing peaked in Q2 2016. The combined effect of the polysilicon trading and the conclusion of the Group's major polysilicon purchase contract obligation in 2015 has resulted in an 85% reduction in the polysilicon inventory volume and a significant improvement in the Group's net cash position.

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. The evidentiary hearing of the arbitral tribunal was originally scheduled to take place in Frankfurt in July 2016 but following requests by our customer the tribunal first agreed to postpone the hearing until November 2016 and subsequently until late March 2017. In an attempt to find an amicable solution both parties agreed to follow a mediation process led by an external mediator during December 2016 but the process has been unsuccessful to date.

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

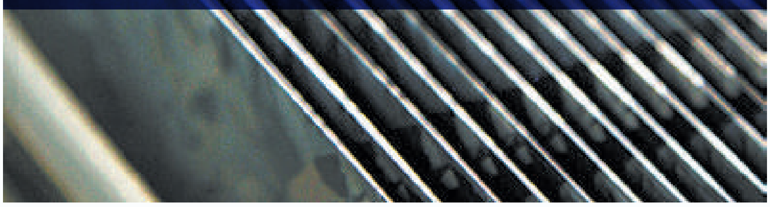
1 Ingot production

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 at Crystalox Limited, in the United Kingdom. During 2017 we will transition to purchasing ingots from an external supplier.

2 Block production

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

3 Wafer production



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.

Delivering to customers worldwide

PV Crystalox Solar supplies multicrystalline silicon products, predominantly wafers but also multicrystalline silicon blocks, to PV companies and also generates revenues through the sale of polysilicon.

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

The current market conditions are particularly severe for multicrystalline silicon products with massive over-capacity in China depressing prices for both cells and wafers. Although the Group achieved a creditable financial performance in 2016, the prospects for 2017 are bleak without a recovery in market pricing.

Group operations in 2016 continued

Wafer supply contracts continued

The arbitral tribunal hearing will start on 27 March and the judgement is not expected until Q3 2017. While the outcome is uncertain, the Group indicated in March 2016 that the value of any award if our claim is upheld could be a multiple of the Group's market capitalisation at that time.

A partial resolution of the other outstanding wafer supply contract, with a customer which entered insolvency and where shipments stopped in 2012, has now been achieved. Claims had been registered with the administrator and an interim settlement of €0.96 million was eventually received during H1 2016. A final payment is expected to bring our aggregate settlement up to €1.5 million although the timing of the receipt of the final amount is uncertain.

Financial review

In 2016 Group revenue decreased by 12.0% to €56.7 million (2015: €64.5 million). This was mainly due to a decline in wafer shipments which was partially offset by an increase in sales of excess polysilicon feedstock when compared to 2015.

During 2016 the Group recognised other income of €5.4 million, which was €4.2 million higher than in 2015. €4.6 million of this income was in relation to customer compensations of which €3.2 million related to amounts which were held as deferred revenue at the start of the year.

The positive gross margin in the year was €8.1 million, whereas in 2015 there was a gross margin of €0.2 million. Two factors contributed to this positive margin in 2016: sales of excess polysilicon inventory at prices above the 2015 year-end valuation as a result of the rebound in polysilicon spot prices during H1 2016 and stronger wafer sales prices during that period. The gross margin in the prior year had been reduced by an inventory writedown of €5.5 million as a result of the fall in spot price of polysilicon.

Personnel expenses of €7.6 million (2015: €8.4 million) were 9.9% below those in 2015 when additional compensation costs of €0.6 million were incurred as a result of the wind-up of the Japanese subsidiary.

Other expenses at €7.9 million were €2.5 million higher than in 2015 mainly due to the €4.3 million cost of cancelling the polysilicon purchase contract, where the Group forfeited a significant portion of its outstanding prepayment. The 2015 expenses were inflated by costs relating to running and shutting down the Japanese subsidiary.

The Group's annual depreciation charge in 2016 remained modest at €0.2 million (2015: €0.4 million). It should be noted that the Group's remaining plant and equipment, was largely written down between 2011 and 2013.

The currency gain was €3.9 million in 2016 compared to a loss of €0.2 million in 2015. Approximately two thirds of this gain relates to the retranslation of the polysilicon contract deposit, whilst the remainder of the gain mostly relates to revaluing foreign currency cash balances held in the United Kingdom.

Overall the Group generated a profit before taxes of €1.7 million (2015: loss of €13.7 million). The €15.4 million margin improvement was driven largely by increases of €7.9 million in gross margin, €4.2 million in other income and €4.0 million in currency gains. Reductions in personnel costs (€0.8 million) and finance costs (€0.7 million) also contributed but were offset by an increase in other expenses (€2.5 million).

The Group's cash position at the year end of €28.8 million was €16.1 million higher than the net position of €12.7 million at the start of the year. Net cash inflows of €18.0 million from operating activities were partially offset by negative foreign exchange rate changes on cash of €1.7 million.

Inventories decreased during the year by €12.0 million from €23.2 million at the end of 2015 to €11.2 million at the end of 2016. Raw materials inventory decreased by €16.4 million compared to 2015 as polysilicon inventory decreased by 85%. Finished product increased by €3.1 million as wafer inventory increased. Work in progress increased by €1.3 million.

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.

Despite the deterioration in market conditions, the Group's cash cost of wafer production is currently below the market price, and allows a contribution to gross margin. 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/prices and contracted purchase volumes/prices are based on management's expectations, which are consistent with the Group's experience in the first part of 2017. 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 still leave the Group in a cash positive position in March 2018.

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 2016 there was a net cash balance of €28.8 million, including funds held by an employee benefit trust. 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.

Cash conservation focus in 2017

In view of the current adverse market environment where wafer prices are well below production costs, the Group will maintain its focus on the niche low carbon footprint wafer market where it has a competitive advantage and can obtain some shelter from market pricing pressure. In order to better align production costs with market prices and reduce overheads the Group intends to phase out ingot production in the United Kingdom during 2017. This will involve the closure of the two remaining facilities with a total capacity of 450MW per annum and which have not been fully utilised for several years. In future the Group will rely on the purchase of ingots from an external supplier. Ingots will continue to be processed into blocks in the United Kingdom and wafers will continue to be produced in our German facility in order to retain the low carbon footprint.

Outlook

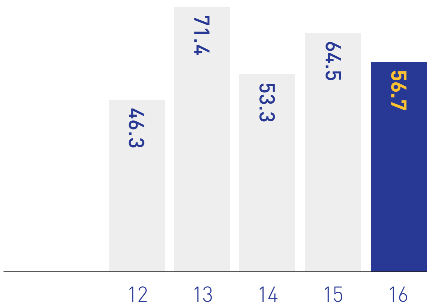
The current market conditions are particularly severe for multicrystalline silicon products with massive over-capacity in China depressing prices for both cells and wafers. Recent PV company announcements have indicated a shift to higher efficiency monocrystalline cells where supply and demand are better balanced and pricing is more favourable. Such shifts can only exacerbate the pressure on multicrystalline silicon pricing. Indeed it is difficult not to conclude that with profitability continuing to be elusive the PV manufacturing industry outside China faces an existential crisis.

The Board advised in early 2016 that it was extending the period of the strategic review in view of the improved market conditions that positively impacted the Group's competitive position at that time. Although the Group achieved a creditable financial performance in 2016, the prospects for 2017 are bleak without a recovery in market pricing. Nevertheless the Board now expects to conclude its strategic review when the judgement is received from the arbitral tribunal during Q3 2017.

Iain Dorrity
Chief Executive Officer
22 March 2017

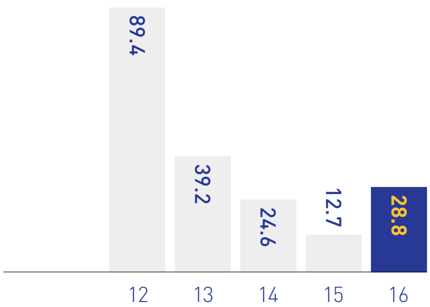
Revenues (€m)

€56.7m



Net cash (€m)

€28.8m



Cumulative worldwide PV installations are now over 300GW following 75GW of additions in 2016.

2017 could be a challenging year.

Our key operating locations

United States

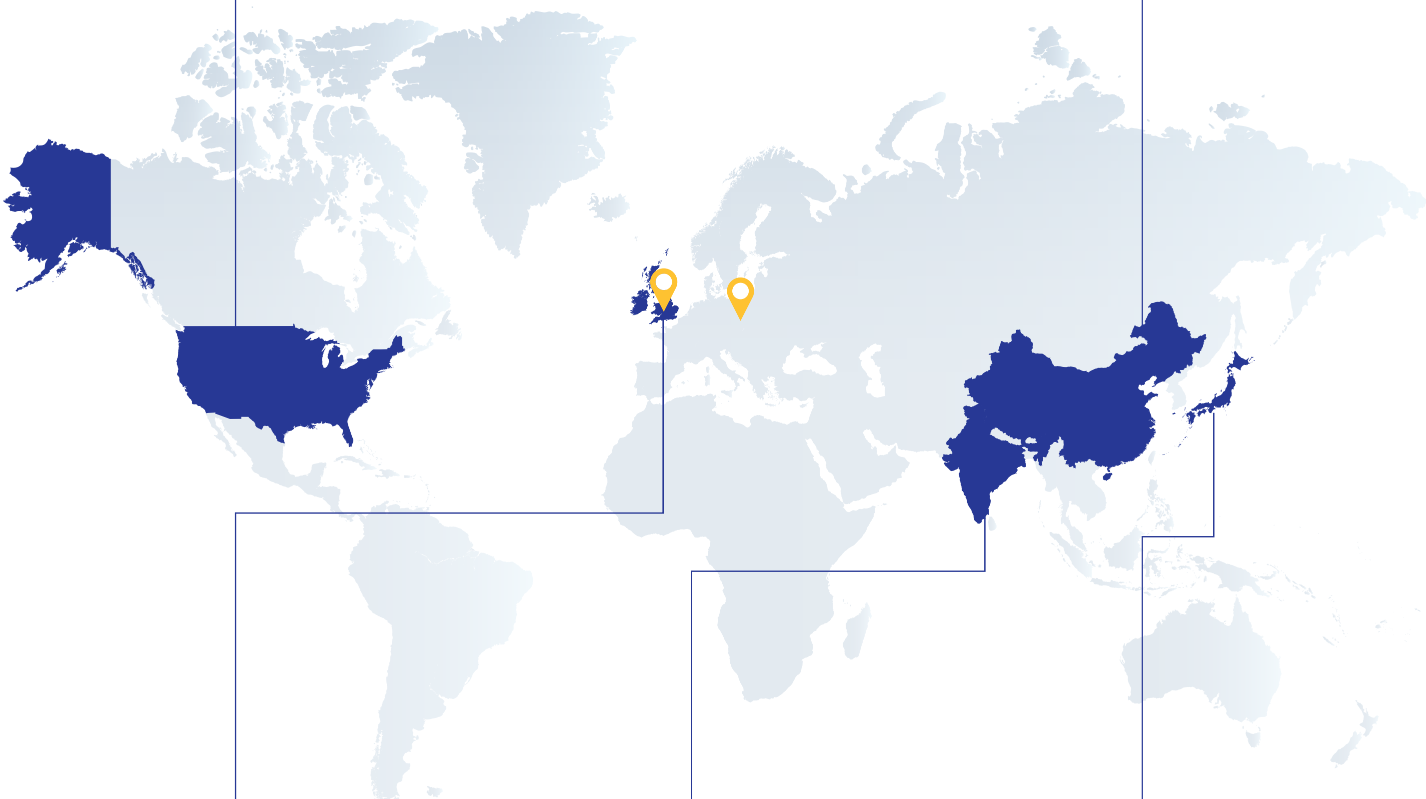
14GW

- Second largest global market in 2016
- 25GW of cumulative installations

China

34GW

- Largest global market in 2016
- 77GW of cumulative installations, the world's largest



United Kingdom

2GW

- Largest market in Europe for the third year running
- 11.5GW of cumulative installations

India

4.5GW

- 10GW of cumulative installations
- Likely to overtake Japan to become third largest market in 2017

Japan

9GW

- Third largest global market in 2016
- 45GW of cumulative installations by the end of 2016

Markets

Global grid-connected solar PV additions reached 75GW in 2016, according to the PV Market Alliance ("PVMA") who reported that cumulative worldwide solar installations have now passed 300GW. The 75GW estimate is in broad agreement with other market analysts: Bloomberg New Energy Finance ("BNEF") estimates that 70GW of PV projects were completed last year, while Mercom Capital had forecast in December 2016 that the PV installations would reach 76GW. China, the USA and Japan remain as the leading three markets.

PVMA warned that 2017 could be a "challenging year" with installations falling to 65GW in a worst-case scenario, down 13% from 2016, although it did not discount the possibility of achieving the same levels as 2016.

China

China added an impressive 34.2GW in 2016, accounting for 45% of the total global deployment and far exceeding the 18.1GW target originally set for the year. According to China's National Energy Administration ("NEA"), cumulative installed PV capacity reached 77.4GW. In November 2016 China downgraded its cumulative target to be reached by 2020 from 150GW to 110GW. With the latter milestone now expected to be reached during 2017, China's demand is likely to be significantly weaker in the three years between 2018 and 2020 unless the target is revised upwards.

China intends to spend more than $360 billion in the period to the end of 2020 on renewable power sources like solar and wind, according to the government's NEA. The agency said in a statement that China would: create more than 13 million jobs in the renewable energy sector by 2020; curb the growth of greenhouse gasses that contribute to global warming; and reduce the amount of soot that has recently blanketed Beijing and other Chinese cities in noxious clouds of smog.

United States

Following its biggest ever year in 2016, cumulative US installations are expected to nearly triple in size over the next five years, according to GTM Research and the Solar Energy Industries Association's ("SEIA") latest report. The US solar market nearly doubled its previous record last year, with more than 14GW of PV installations.

For the first time ever, PV was the largest source of new electricity generating capacity brought online on an annual basis, representing 39%. A slight dip in installations is expected in 2017 with 13.2GW forecast, a 10% drop from last year, but still 75% more than was installed in 2015. The dip will solely occur in the utility-scale segment in response to an unprecedented number of utility-scale projects coming online in the latter half of 2016 in the aftermath of the Investment Tax Credit extension rush.

Japan

The Japanese PV feed-in tariff programme started in 2012 and led to a massive surge in deployment. The trend appears to have peaked in 2015 when over 11GW was installed and Japan's PV cumulative capacity became the third largest in the world behind China and Germany. Installations in 2016 fell to around 9GW and look set to fall further in 2017 as grid access and financing become more difficult and stricter criteria are applied for project approval.

United Kingdom

The United Kingdom had reached a cumulative installed PV capacity of 11.5GW by the end of January 2017 according to provisional statistics released by the Department for Business, Energy and Industrial Strategy ("BEIS"). Only 1.9GW was installed in 2016, which is a significant decline on the 4.1GW connected to the grid in 2015 and below the 2.6GW in 2014. The largest increase in capacity during the year was registered in March 2016, before the Renewables Obligation scheme for projects smaller than 5MW was closed, with a one-year grace period for some projects. Despite the decline, the United Kingdom remained the largest market in Europe for the third consecutive year with only two other European countries, France and Germany, installing more than 1GW in 2016.

India

India has recently surpassed the 10GW of cumulative PV installations milestone according to the Ministry of New and Renewable Energy ("MNRE"), when India's largest utility NTPC commissioned another 45MW of PV at Bhadla Solar Power project, near Jodhpur, in the state of Rajasthan. The country has tripled its capacity in less than three years and MNRE advised in 2015 a cumulative target of 100GW to be reached by 2022. India is likely to overtake Japan to become the third largest market in 2017.

International trade disputes

There has been little change in the disputes which have plagued the PV Industry in recent years. China maintains its anti-dumping duties of up to 57% on imports of polysilicon, but in practice the duties are levied primarily on imports from the USA. Imports from Wacker, the only EU producer, are spared duties because of "price commitments" given to the Chinese Ministry of Commerce ("MOFCOM"). Similarly only modest duties of 2.4% are imposed on imports from the largest South Korean producer. However, following complaints from domestic polysilicon companies of increased dumping activities by South Korean companies, MOFCOM announced in November 2016 that it would review duties on imports from South Korea.

In October 2015, the European Commission ("EC") launched an expiry review of anti-dumping measures on imports of Chinese cells and modules which were introduced in 2013. The measures impose duties on those companies, which do not agree to accept a minimum import price ("MIP") for modules of €0.56/W, were due to expire in December 2015. Following complaints that dumping would resume if the MIP was removed, the measures continued until March 2017 while the review was carried out. Following completion of the review and with the agreement of member states, the EC has decided to extend the measures for a further 18 months but with reduced MIP rates. However, the impact on imports from Chinese companies is likely to be minimal as most of those companies have left the MIP agreement and set up manufacturing facilities in South East Asia. Modules produced in these locations can be imported free of duties into the EU.

The USA continues to maintain duties on imports of PV modules from China. The first of two anti-dumping and anti-subsidy cases against China was filed in November 2011 and subsequently led to the imposition of steep tariffs on Chinese cells. This led to a widespread use of Taiwanese PV cells, and another complaint was filed in November 2011 against both Chinese cells and modules and Taiwanese cells, which led to more tariffs being imposed. As in Europe the effectiveness of duties is now much reduced as many Chinese manufacturers have set up manufacturing capacity in South East Asia in an effort to avoid these tariffs altogether.

Whilst the strategic review remains ongoing the Group will continue to produce wafers and to operate in cash conservation mode in 2017.

Our long-term strategy	How we will achieve this in 2017	2016 priorities
Cash conservation	• Transition to purchase of ingots from third party supplier • Phase out and close United Kingdom ingot production facilities during 2017 • Retain wafering and blocking operational capabilities • Focus on securing favourable outcome in arbitration proceedings	• 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
Continued focus on operating cost reductions	• Other supplier price reductions • Production efficiencies • Higher yields	• Other supplier price reductions • Production efficiencies • Higher yields

Cash conservation focus

The Group will continue to operate in cash conservation mode with block production output aligned to our wafering capacity. We will phase out our own ingot production and transition to purchase of ingots from an external supplier.

KPIs

Wafer shipments	Revenue from operations	EBT/(LBT)	Net cash from/(used in) operating activities
114MW	**€56.7m**	**€1.7m**	**€18.0m**
2015: 203MW	2015: €64.5m	2015: €(13.7)m	2015: €(12.9)m

Our long-term strategy	How we will achieve this in 2017	2016 priorities
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

Net cash

€28.8m

2015: €12.7m

Inventories

€11.2m

2015: €23.2m

Basic profit/(loss) per share

€0.011

2015: €(0.088)

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 26 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 to manage and to mitigate such risks.

Principal risks	Nature of risk	Mitigating actions	Risk status
Price of wafers on the spot market falls below cash cost of production	Currently the spot market price marginally exceeds the Group's cash cost of wafer production (excluding labour) but does not allow full recovery of overheads. Should the spot price of polysilicon increase more than the wafer price the Group may be unable to recover the cash cost of production.	• Focus on producing low carbon wafers for the French PV market which can be sold at a premium to spot price. • Lowering production costs. • Reduction in ingot production output and purchase of ingots from external supplier. • 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 wafer volumes	The Group has operations at different stages in the value chain. The loss of a facility at the blocking or wafering stage would impact the Group's ability to manufacture wafers.	• 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 no longer has long-term polysilicon contracts; however, it 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 such that we could obtain those goods and services, if required.	▶

Risk status

▲ Increase in risk level ▶ No change in risk level ▼ Decrease in risk level

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 getting smaller. 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.	• As a result of our focus on low carbon footprint wafers where possible we concentrate on customers who target the French PV market. • 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.	▲
Foreign exchange exposure	The majority of sales are invoiced in US Dollars whilst the majority of costs excluding polysilicon are in Euros and Sterling. Significant changes in exchange rates could impact the Group's income statement.	• Key purchases such as polysilicon are purchased in US Dollars and provide some natural hedging.	▶

It is Group policy to foster an informed and responsible approach to all environmental concerns and encourage the involvement of employees, customers and suppliers.

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, 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 United Kingdom 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 United Kingdom 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 and 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 depends 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.

The Group communicates its performance to its employees following the release of the preliminary and interim results each year. In Germany there is a works council and in the United Kingdom there is an employee forum at which factors affecting workers' employment is discussed.

Training and health and safety

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 2016 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 2016.

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 United Kingdom 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

Gender diversity

The following table sets out a breakdown by gender showing at 31 December 2016: (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	5	100.0%	0	0%
Other employees	98	73.7%	35	26.3%

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.

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 United Kingdom 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 who 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 2016.

The total number of reported work-related accidents in the United Kingdom increased from 0.0010 in 2015 to 0.0019 accidents per day worked in 2016. There were no work-related accidents in Erfurt or in the United Kingdom in 2015 or 2016 where employees were absent for three days or more.

Human rights

We confirm our commitment to the human rights of our employees across all of our businesses.

We will include a statement concerning slavery and human trafficking on our website, www.pvcrystalox.com, as is required by the Modern Slavery Act.

PV Crystalox Solar greenhouse gas emissions

This greenhouse gas ("GHG") emissions report is in line with United Kingdom 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 United Kingdom 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 United Kingdom and wafer production activities in Germany. The figures for 2015 also included 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 "United Kingdom Government conversion factors for company reporting" for United Kingdom 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.

	2016 (tonnes CO_2 equivalent)	2015 (tonnes CO_2 equivalent)
Scope 1		
Direct emissions from combustion of fuel in PV Crystalox Solar facilities	234	213
Scope 2		
Indirect emissions resulting from electricity purchased by PV Crystalox Solar	10,384	10,050
Scope 1 and Scope 2	10,618	10,263
Intensity measurement		
Tonnes CO_2/MW of wafer shipments*	92.3	50.6

Note

* It should be noted that in 2015 a proportion of shipments were from wafer inventory, whereas in 2016 shipments were lower than the production of wafers and wafer inventory increased. It should also 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.

Directors approval statement

This Strategic Report as set out on pages 1 to 13 has been reviewed and approved by the Board of Directors, and signed on its behalf by:

Iain Dorrity
Chief Executive Officer
22 March 2017

> The Board has agreed that it is now more appropriate to report against the Quoted Companies Alliance Code rather than the United Kingdom Corporate Governance Code.

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.

Governance code and compliance

The Company has previously reported as a smaller company against the United Kingdom Corporate Governance Code 2012 ("the 2012 Code") on a "comply or explain" basis and did so again in the 2015 Annual Report. The United Kingdom Corporate Governance Code 2014 ("the 2014 Code") was applicable to all premium listed companies for the 31 December 2015 year end. For the 2015 Annual Report the Board determined that, because of the size of the Group and the cash conservation mode that the Group continued 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.

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. When the Company moved to the standard list I declared, in the change of listing circular, "your Board does not intend to implement any reduction in the standards of reporting and corporate governance which the Company currently maintains".

Following discussions with its advisers, the Board has determined that, whilst the Group will continue to undertake the same governance activities as in prior years, it will report against the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies 2013 ("QCA Code").

The Company is fully compliant with the governance requirements of the QCA Code.

Board balance and independence

The QCA Code guidance on independence states that it is important for an effective board to foster an attitude of independence of character and judgement. A company should have at least two independent non-executive directors. Small and mid-size quoted companies may find it difficult to meet the 2012 and 2014 Code requirement of independence and therefore, for those companies, the chairman may count as one of the independent directors, provided he was independent at the time of appointment.

The Nomination Committee found, and the Board agreed, that I demonstrate independence of character and judgement and as a result it is still in the best interest of the Company that I remain on the Board and the Committees.

Throughout the year the Board had two independent non-executive directors 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.

The Chairman's length of service

The ninth anniversary of my appointment to the Board occurred in June 2016 during the 2016 financial year. 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 have stood down from those Committees in June 2016 and a new non-executive director would have been 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 current 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 15.

John Sleeman
Chairman
22 March 2017

Compliance

The Board appreciates the benefits of strong corporate governance, which helps to deliver growth in long-term shareholder value and maintain a flexible, efficient and effective management framework within an entrepreneurial environment.

The Company has explained in previous annual reports that it did not comply with certain provisions of the 2012 Code relating to board and committee composition due to the Chairman not being treated as an independent non-executive director. The QCA Code permits the Chairman to be treated as independent provided that he was independent at the time of appointment.

As John Sleeman was independent at the time of his appointment and because the Board considers that he demonstrates independence of character and judgement, the Company is fully compliant with the governance requirements of the QCA Code.

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 30.

Board balance and independence

During the year the Board consisted of two independent non-executive directors and the Chief Executive Officer. The Chairman was independent on appointment and Michael Parker is deemed to be independent in accordance with the QCA Code.

The Board recognises Michael Parker as the 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 2016 there were eight Board meetings. Meetings are held in Central London and at the Group's operating subsidiaries: at Abingdon in the United Kingdom; 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 2016 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

Note

* 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, 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 2017. 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 2017 and March 2017. 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 United Kingdom. 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 updates on the state of the arbitration process in separate announcements in June 2016 and October 2016 and notification that a long-term polysilicon purchase contract had been terminated in September 2016.

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 33 and those of the auditors on page 34. A statement on going concern appears on page 4.

Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are on pages 19 to 28. It sets out the Group's remuneration 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 United Kingdom, 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 2010 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.

He is currently senior independent director of Laird PLC as well as being chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

Mike is involved with a variety of charities and not-for-profit organisations.

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

The change in governance reporting to comply with the recommendations of the QCA Code has not changed the work of the Nomination Committee. 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
22 March 2017

Membership

The Nomination Committee comprises both of the independent 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 2017 and recommended that the structure, size and composition of the Board remained appropriate.

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 2017 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 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 2017.

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 and with the recommendations of the QCA Code. There have not been any changes to the ICSA guidance since the previous review in January 2015, but the terms of reference have been updated to reflect the recommendations of the QCA Code. 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 2016, which includes the proposed remuneration policy for the directors of PV Crystalox Solar PLC and provides details of their remuneration in respect of the year ended 31 December 2016.

The proposed remuneration policy will be put to shareholders for approval in a binding vote at the 2017 AGM on 18 May 2017. If approved at the AGM it will be effective from the day following the AGM and may operate for up to three years. No significant changes are proposed to the current policy. The proposed remuneration policy is set out on pages 20 to 24.

The Annual Report on Remuneration set out on pages 24 to 28, which describes how the current 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.

2016 key items considered

2017 remuneration

The Remuneration Committee believes 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 2016 level;
- participation in an annual bonus plan for 2017 with performance conditions based on share price increases during the 2017 financial year; and
- there will not be a long-term incentive award for the performance period from 1 January 2017 to 31 December 2019.

The Remuneration Committee approved management's proposal that there be a 5% increase for the Group's employees in Germany from 1 January 2017 but no increase in salaries for the Group's employees in the United Kingdom.

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 2016.

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 to ensure they are consistent with the recommendations contained in the ICSA Guidance on Terms of Reference Remuneration Committee and with the recommendations of the QCA Code. There have not been any changes to the ICSA guidance since the previous review in January 2015, but the terms of reference have been updated to reflect the recommendations of the QCA Code. 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 2017 AGM.

Michael Parker
Chairman of the Remuneration Committee
22 March 2017

This report sets out the Company's policy on the remuneration of its executive and non-executive directors, and will be proposed for approval by shareholders at the AGM on 18 May 2017. It will take effect from the day following the AGM and may operate for up to three years.

Policy overview

The Company's remuneration policy is to provide executive remuneration packages that attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, to deliver outstanding operational performance, to deliver excellent financial performance and to enhance shareholder value. To achieve this policy the packages must:

- be competitive;
- encourage a focus on long-term, sustained performance;
- be fair and transparent;
- be consistent across the Group; and
- be aligned to shareholders' interests.

The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration packages is undertaken by the Remuneration Committee.

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

- base annual salary;
- benefits in kind;
- annual bonus payments;
- long-term incentives; and
- pension arrangements.

It should be noted that there will not be a long-term incentive award in 2017.

Consideration of employment conditions elsewhere in the Group

The Remuneration Committee takes into account the general pay and employment conditions of other employees of the Group when determining executive directors' remuneration for the relevant financial year. This includes taking account of the levels of base salary increase for employees below executive level when reviewing executive base salaries and ensuring that the same principles apply in setting performance targets for executives' incentives as for other employees of the Group.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year at the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Summary remuneration policy

The table below summarises the executive directors' remuneration policy from the 2017 AGM onwards:

Executive directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
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.	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 24.	Individual and business performance is considered in determining base salary levels.

Executive directors continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Benefits in kind	To provide competitive benefits in kind to ensure the 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.	Benefits may include those currently provided as disclosed on page 24; 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.
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.	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.
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.	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. Previously these were 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.

Executive directors continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Pension	To provide retirement benefits to ensure the 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.	Pension provision may include that currently provided which is 8% of base salary; 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.

Notes

(1) A description of how the Company intends to implement the policy set out in this table for 2017 is set out in the Annual Report on Remuneration on pages 24 to 28.

(2) The following differences exist between the Company's policy for the remuneration of executive directors as set out above and its approach to the payment of employees generally:

- A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive director and certain senior managers.
- Benefits offered to other employees generally comprise provision of income protection insurance, life assurance and healthcare where required for the role or to meet market norms.
- The majority of employees in the United Kingdom participate in local defined contribution pension arrangements. Employees in Germany do not participate in company pension schemes.
- Participation in the PSP is limited to the executive director and certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals and on arrangements in the countries where the Group has employees (United Kingdom and Germany). They also reflect the fact that, in the case of the executive director and senior managers, a greater emphasis tends to be placed on performance related pay.

(3) The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately challenging and tied to both shareholder value and specific individual objectives.

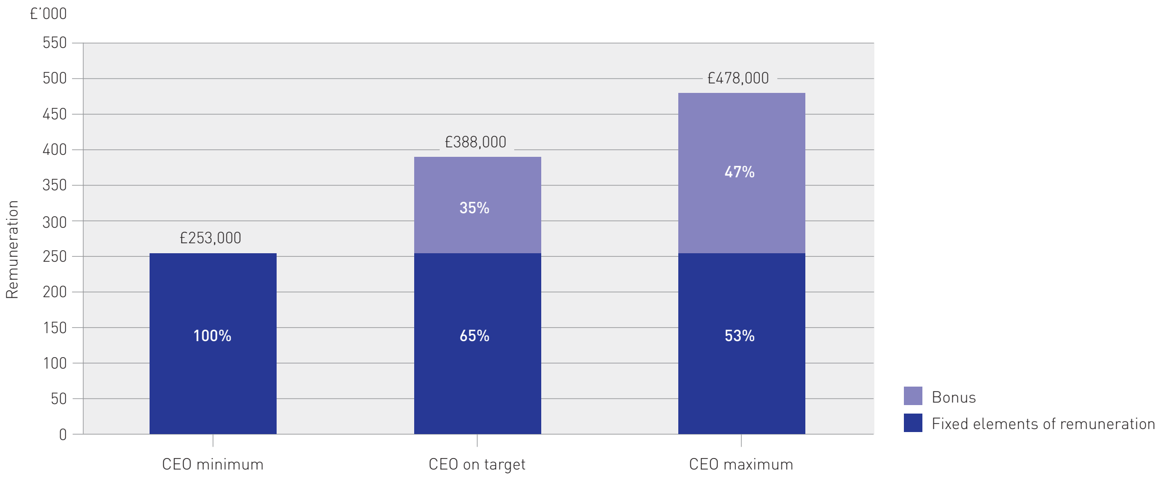
(4) The total shareholder return ("TSR") and earnings per share ("EPS") performance conditions applicable to the PSP were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored on the Remuneration Committee's behalf by Stockdale Securities whilst the Group's EPS growth is derived from the audited financial statements.

(5) The Remuneration Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Remuneration Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

(6) For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors. Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the Chief Executive Officer's remuneration package for 2017 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 2017 is taken to be the value of benefits received in 2016 (as calculated under the directors' remuneration table, set out on page 25).

(2) The value of the 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 2017.

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

Service contracts for executive directors

The service agreements of the executive directors are not fixed term and are terminable by either the Company or the director on twelve months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary in lieu of twelve months' notice. Incidental expenses may also be payable where appropriate. In calculating the amount payable to a director on termination of employment, the Board would take into account the commercial interests of the Company. The Remuneration Committee reviews the contractual terms for new executive directors to ensure these reflect best practice.

The Company does not have a minimum shareholding guideline for executive directors as the current executive director has a shareholding many times in excess of his annual salary which aligns the executive's and shareholders' interests.

Provision	Detailed terms
Notice period	Twelve months
Termination payment	Up to twelve months' salary
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest
Change of control	No executive director's contract contains additional provisions in respect of change of control

Executive director's contracts of service, which include details of remuneration, are available for inspection at the Company's registered address and will be available for inspection at the AGM to be held on 18 May 2017.

Approach to recruitment and promotions

The remuneration package for a new executive director – i.e. base salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual. The Remuneration Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would where possible reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal executive director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Approach to leavers

At the discretion of the Remuneration Committee, an annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal pay-out date. Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP and the Executive Directors' Deferred Share Plan is that any outstanding awards lapse on cessation of employment.

However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Remuneration Committee, "good leaver" status may be applied. For good leavers, awards will normally vest on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating. The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain "good leaver" circumstances awards will normally vest in full on the date of cessation (unless the Remuneration Committee determines otherwise).

The executive directors may accept outside appointments, with prior Board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis.

Non-executive directors

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.	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 24.	Not applicable. Non-executive directors do not participate in variable pay arrangements.

Non-executive directors continued

Non-executive directors are appointed pursuant to a letter of appointment for an initial period of three years unless terminated earlier by either party giving six months' notice. Continuation of each appointment is contingent on satisfactory performance and re-election at an AGM. Under the letter of appointment the director is subject to re-election every three years at the AGM. Since 2011 the Board agreed that each director would be subject to re-election at each AGM.

The non-executive directors' letters of appointment are available for inspection at the Company's registered address and will be available for inspection at the AGM to be held on 18 May 2017.

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 18 May 2017.

The Remuneration Committee

The Remuneration Committee is chaired by Michael Parker and is to be made up of a minimum of two independent non-executive directors. The Remuneration Committee comprises the Committee chairman and John Sleeman. The Chief Executive Officer, the Chief Financial Officer 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 2017

A summary of how the directors' remuneration policy will be applied during the year ending 31 December 2017 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 2016.

Payable in Sterling	**2017 annual rate £**	2016 annual rate £	% change
Iain Dorrity	**225,000**	225,000	0%
John Sleeman	**70,000**	70,000	0%
Michael Parker	**40,000**	40,000	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 is the same as the proposed 2017 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 2016

The Remuneration Committee set the performance conditions, which were based upon the increase in the Company's share price during 2016. No pay-out would be awarded if the 2016 year-end share price was less than a threshold share price of 12 pence. A threshold pay-out of 20% of base salary would be awarded if the year-end share price was the threshold price of 12 pence. A maximum pay-out would be awarded if the year-end share price was greater than or equal to a maximum threshold price of 22 pence. The pay-out between the threshold price and the maximum threshold price would be determined on a pro-rata basis. Half of any award would be paid in cash in April 2017 and half in deferred shares under the PV Crystalox Solar plc Executive Directors' Deferred Share Plan.

The year-end share price, based on an average of the five working days up to the year end, was 23.425 pence. As a result the maximum bonus of 100% is payable.

Individual elements of remuneration continued

Annual bonus payment continued

In 2017

The performance conditions have been set by the Remuneration Committee and are based upon the increase in the Company's share price during 2017. The structure is the same as in 2016 but with revised share price targets.

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 only award under the Performance Share Plan ("PSP") covering the performance period from 1 January 2011 ending on 31 December 2013 was 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 2017, for performance in the period from 1 January 2017 to 31 December 2019.

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% (2015: 8%) of base salary. It should be noted that Company contributions for United Kingdom 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 2016	Fees/base salary €	Benefits in kind €	Annual bonus €	Long-term incentives €	Pension related benefits €	Total €
Iain Dorrity	**275,395**	**12,263**	**275,395**	**—**	**22,032**	**585,085**
Michael Parker	**48,959**	**—**	**—**	**—**	**—**	**48,959**
John Sleeman	**85,679**	**—**	**—**	**—**	**—**	**85,679**
Total year ended 31 December 2016	**410,033**	**12,263**	**275,395**	**—**	**22,032**	**719,723**
Year ended 31 December 2015						
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

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 provision of a company car, car allowance, private medical insurance, income protection and life insurance.
Annual bonus	The performance conditions were fully achieved in 2016 but were not achieved in 2015.
Long-term incentives	The value of the long-term incentive schemes that vest in respect of the financial year.
PSP: none have vested in 2015 or 2016	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 2016

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 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.

Deferred shares awarded due to 2016 performance

A deferred share award is payable to Iain Dorrity in relation to 2016 performance as the performance conditions relating to share price were fully achieved. The award will be granted on 23 March 2017 and will have a vesting date of 23 March 2017. The value at grant will be £112,500 and the number of shares to be awarded will be dependent on the share price at the date of grant.

Performance Share Plan

No awards made under the Performance Share Plan remain outstanding at 31 December 2016.

Directors' pension (audited)

	Contributions to defined contribution scheme €	**Total 2016 €**
Iain Dorrity	22,032	**22,032**
Michael Parker	—	**—**
John Sleeman	—	**—**
	22,032	**22,032**

Remuneration policy for non-executive directors

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

The interests in the ordinary share capital of the Company as at 31 December 2016 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 2016 was 23.625 pence and the price range during the year was 7.75 pence to 24.125 pence.

Between 1 January 2017 and 28 February 2017 (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

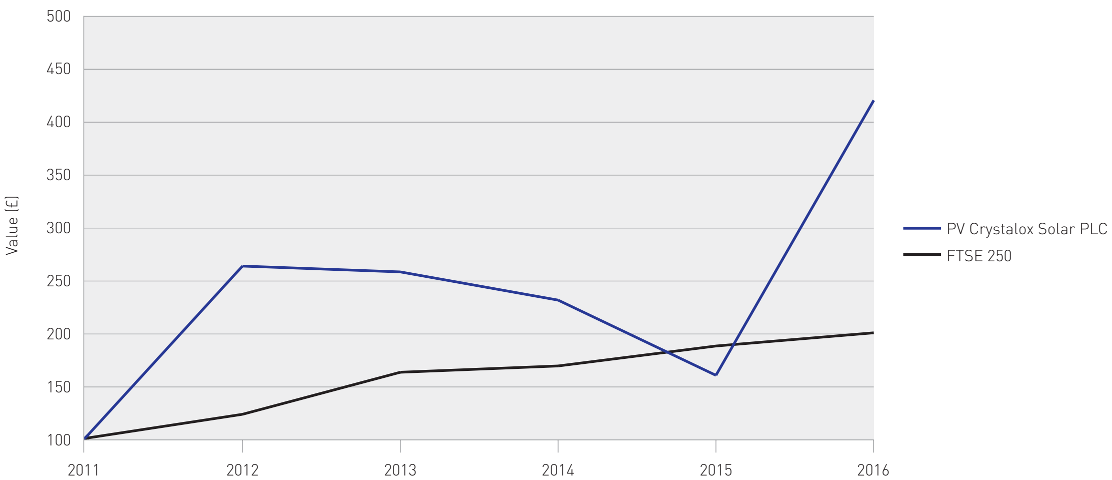
The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 19 May 2016:

Resolution	Votes for number	Votes for %	Votes against number	Votes against %	Votes withheld number
To receive and approve the 2015 Directors' Remuneration Report	80,923,749	99.97%	26,953	0.03%	4,178

Shareholder return

Performance graph (unaudited)

The graph below shows the TSR performance from 1 January 2012 to 31 December 2016. 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 2012 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.



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 seven 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	**2016**
Total remuneration (€)	554,934	376,915	403,997	386,510	314,187	348,546	**585,085**
Annual bonus (%)	50%	0%	—	—	0%	0%	**100%**
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, 2015 or 2016.

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
	2016 v 2015 percentage change	2016 v 2015 percentage change
Salary	0%	2%
Benefits	0%	0%
Bonus*	n/a*	0%

Note

* The Chief Executive Officer received a 100% bonus based on 2016 performance and a 0% bonus in 2015.

Shareholder return continued

Relative importance of spend of pay

The table below shows a comparison between overall expenditure on pay and dividends paid to shareholders for 2016 and 2015.

	2016 €'000	2015 €'000	Percentage change
Overall expenditure on pay*	**7,612**	8,447	-9.9%
Dividend paid in the year	**—**	—	0%

Note

* Overall expenditure on pay is total staff costs as 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.

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 18 May 2017.

Michael Parker
Chairman of the Remuneration Committee
22 March 2017

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 is chaired by Michael Parker and is to be made up of a minimum of two independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Audit Committee comprises the Committee chairman and John Sleeman. 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 Executive Officer, 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 requires 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 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.

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 2017.

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;
- the independence and objectivity of the external auditors;
- reviewing the internal controls and risk management systems in operation within the Group;
- 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 the 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 2016 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.

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

Financial reporting continued

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.

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 £49.8 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 QCA 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 2016 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 2017.

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
22 March 2017

The directors are pleased to present their report together with the consolidated audited financial statements of the Group and Company for the year ended 31 December 2016.

Results for the year

The Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 is shown on page 35. The Consolidated Statement of Changes in Equity for the year is shown on page 37 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 2016. No dividends were paid in respect of 2015.

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 2016 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 1 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 and 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 2 to 5.

Environmental policy

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

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements 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

Note

* 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 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 2017 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 28.

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 28 February 2017 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	24,006,303	14.98
Iain Dorrity	17,099,371	10.67
Barry Garrard	16,108,323	10.05
Hawkwood Capital	12,910,815	8.06
Stuart Oldham	10,276,442	6.41
Aldebaran Capital LLC	6,450,787	4.02
Goldman Sachs International	5,746,962	3.59
Graham Young	5,398,888	3.37
Hargreaves Lansdown Asset Mgt	5,030,799	3.14

The Company had not been notified of any changes to shareholdings, required under DTR 5.3.1, in the period between 28 February 2017 and the date of signing the financial statements.

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 24. 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 25.

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 2016 AGM to allot further shares up to a maximum of £2,778,169, which was approximately 33% of the issued share capital on 21 April 2016 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 21 April 2016 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 2017 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 2016 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 2017 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 4 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. 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.

Listing Rule requirements

The applicable requirements of Listing Rule 9.8.4R in respect of long term incentive schemes (pages 24 and 25) and contracts of significance with related parties (page 56) are included in this Annual Report where applicable.

Financial risk management

The Group's financial risk management policy is set out in note 26 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 18 May 2017 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
22 March 2017

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 United Kingdom 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.

By order of the Board

Matthew Wethey
Chief Financial Officer and Group Secretary
22 March 2017

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 2016 and of its profit 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 2016;
- 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 Consolidated 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 IFRSs as adopted by the European Union, and applicable law.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

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 set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland) ("ISAs (United Kingdom & 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 (United Kingdom & 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 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. With respect to the Strategic Report and the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Company financial statements of PV Crystalox Solar PLC for the year ended 31 December 2016 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
22 March 2017

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Notes	**2016 €'000**	2015 €'000
Revenues	8	**56,732**	64,464
Cost of materials and services	3	**(48,622)**	(64,268)
Personnel expenses	4	**(7,611)**	(8,447)
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets		**(226)**	(382)
Other income	2	**5,376**	1,187
Other expenses	5	**(7,870)**	(5,390)
Currency gains and (losses)		**3,860**	(184)
Profit/(loss) before interest and taxes ("EBIT")		**1,639**	(13,020)
Finance income	6	**97**	78
Finance cost	6	**(36)**	(721)
Profit/(loss) before taxes ("EBT")		**1,700**	(13,663)
Income taxes	7	**44**	(94)
Profit/(loss) for the year attributable to owners of the parent		**1,744**	(13,757)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment		**(4,887)**	2,867
Total comprehensive loss			
Attributable to owners of the parent		**(3,143)**	(10,890)
Basic and diluted profit/(loss) per share in Euro cents:			
From profit/(loss) for the year	9	**1.1**	(8.8)

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

Consolidated balance sheet
As at 31 December 2016

	Notes	2016 €'000	2015 €'000
Intangible assets	14	**7**	12
Property, plant and equipment	15	**1,780**	2,049
Other non-current assets	16	**—**	5,179
Total non-current assets		**1,787**	7,240
Cash and cash equivalents	10	**28,827**	12,691
Trade accounts receivable	11	**2,446**	5,658
Inventories	12	**11,217**	23,186
Prepaid expenses and other assets	13	**1,292**	3,386
Total current assets		**43,782**	44,921
Total assets		**45,569**	52,161
Trade accounts payable	18	**2,006**	1,436
Deferred revenue	23	**—**	3,518
Accrued expenses	19	**1,469**	1,885
Deferred grants and subsidies	20	**—**	70
Current tax liabilities	21	**—**	117
Other current liabilities	22	**55**	96
Total current liabilities		**3,530**	7,122
Accrued expenses	19	**31**	42
Other non-current liabilities	22	**281**	222
Total non-current liabilities		**312**	264
Share capital	24	**12,332**	12,332
Share premium		**50,511**	50,511
Other reserves		**25,096**	25,096
Shares held by the EBT		**(372)**	(679)
Share-based payment reserve		**260**	472
Reverse acquisition reserve		**(3,601)**	(3,601)
Accumulated losses		**(19,644)**	(21,388)
Currency translation reserve		**(22,855)**	(17,968)
Total equity		**41,727**	44,775
Total liabilities and equity		**45,569**	52,161

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

The financial statements on pages 35 to 56 were approved by the Board of Directors on 22 March 2017 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 2016

	Share capital €'000	Share premium €'000	Other reserves €'000	Shares held by the EBT €'000	Share-based payment reserve €'000	Reverse acquisition reserve €'000	Accumulated losses €'000	Currency translation reserve €'000	Total equity €'000
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)/profit	—	—	—	—	—	—	(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
As at 1 January 2016	12,332	50,511	25,096	(679)	472	(3,601)	(21,388)	(17,968)	44,775
Share-based payment credit/(charge)	—	—	—	307	(212)	—	—	—	95
Transactions with owners	—	—	—	307	(212)	—	—	—	95
Profit/(loss) for the year	—	—	—	—	—	—	1,744	(4,887)	(3,143)
Currency translation adjustment	—	—	—	—	—	—	—	—	—
Total comprehensive profit/(loss)	—	—	—	—	—	—	1,744	(4,887)	(3,143)
As at 31 December 2016	**12,332**	**50,511**	**25,096**	**(372)**	**260**	**(3,601)**	**(19,644)**	**(22,855)**	**41,727**

Consolidated cash flow statement
For the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Profit/(loss) before taxes		**1,700**	(13,663)
Adjustments for:			
Net interest (income)/expense	6	**(61)**	643
Depreciation and amortisation	14,15	**226**	382
Inventory writedown	12	**—**	5,538
Credit/(charge) for retirement benefit obligation and share-based payments	25	**161**	(314)
Decrease in provisions		**—**	(17,468)
Gain from the disposal of property, plant and equipment and intangibles	2	**—**	(191)
Losses/(gains) in foreign currency exchange		**700**	(145)
Change in deferred grants and subsidies	20	**(70)**	(41)
		2,656	(25,259)
Changes in working capital			
Decrease in inventories	12	**9,639**	1,729
Decrease in accounts receivables	11,13	**395**	813
Decrease in accounts payables and deferred income	18,19	**(1,181)**	(512)
Decrease in other assets	13,16	**6,490**	10,322
(Decrease)/increase in other liabilities	22	**(57)**	23
		17,942	(12,884)
Income taxes paid		**(69)**	(121)
Interest received	6	**97**	78
Net cash generated from/(used in) operating activities		**17,970**	(12,927)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**—**	249
Payments to acquire property, plant and equipment and intangibles	14,15	**(131)**	(20)
Net cash (used in)/generated from investing activities		**(131)**	229
Cash flow from financing activities			
Interest paid	6	**—**	(23)
Net cash used in financing activities		**—**	(23)
Cash generated from/(used in) operations		**17,839**	(12,721)
Effects of foreign exchange rate changes on cash and cash equivalents		**(1,702)**	820
Cash and cash equivalents at the beginning of the year		**12,691**	24,592
Cash and cash equivalents at the end of the year		**28,828**	12,691

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 2016 were approved by the Board of Directors on 22 March 2017.

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, 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.

1. Group accounting policies continued

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.

Use of estimates – inventory valuation

Given the significant unexpected decline in market prices for silicon wafers, the carrying amount of inventory has been recorded as 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 2016. 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. Despite the deterioration in market conditions the Group's cash cost of wafer production is currently below the market price, and allows a contribution to gross margin. 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/prices and contracted purchase volumes/prices are based on management's expectations, which are consistent with the Group's experience in the first part of 2017. 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 still leave the Group in a cash positive position in March 2018.

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 2016 there was a net cash balance of €28.8 million, including funds held by an employee benefit trust. 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.

Effects of new accounting pronouncements

Accounting standards, IFRICs and other guidance in effect or applied for the first time in 2016

- Annual improvements 2012
- Annual improvements 2014
- Amendment to IAS 19, regarding defined benefit plans
- 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'
- Amendments to IAS 27, 'Separate Financial Statements'
- Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures'
- Amendment to IAS 1, 'Presentation of Financial Statements'

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

1. Group accounting policies continued

Effects of new accounting pronouncements continued

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 position, results of operations or cash flows.

- Amendments to IAS 7, 'Statement of Cash Flows'
- Amendments to IAS 12, 'Income Taxes'
- Amendments to IFRS 2, 'Share-based Payments'
- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- Amendments to IFRS 4, 'Insurance Contracts'
- Amendment to IAS 40, 'Investment Property'
- Annual improvements 2014-2016
- IFRIC 22, 'Foreign Currency Transactions'

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.

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

1. Group accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recorded initially at fair value net of transaction costs. 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.

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.

1. Group accounting policies continued

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.

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 is the cumulative loss 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

	2016 €'000	2015 €'000
Recognition of accrued grants and subsidies for investments	**70**	455
Sale of property, plant and equipment	**—**	191
Customer compensations	**4,618**	—
Supplier compensations	**33**	36
Research and development grants	**411**	83
Miscellaneous	**244**	422
	5,376	1,187

Customer compensations relate to realisation of payments received in respect of unfulfilled customer purchase obligations.

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.

	2016 €'000	2015 €'000
Cost of raw materials, supplies and purchased merchandise	**48,971**	64,900
Change in unfinished and finished goods	**(4,402)**	7,356
Inventory writedowns	**—**	5,538
Onerous contract release	**—**	(17,414)
Purchased services	**4,053**	3,887
Cost of materials and services	**48,622**	64,267

4. Personnel expenses

	2016 €'000	2015 €'000
Staff costs for the Group during the year		
Wages and salaries	**6,261**	7,256
Social security costs	**893**	901
Other pension costs	**323**	251
Employee share schemes	**134**	39
Total	**7,611**	8,447

Included within pension costs is €87k (2015: €nil) relating to actuarial losses on defined benefit pension obligations.

Employees

The Group employed a monthly average of 138 employees during the year ended 31 December 2016 (2015: 141).

	2016 Number	2015 Number
Germany	**88**	85
United Kingdom	**50**	51
Japan	**—**	5
	138	141

	2016 Number	2015 Number
Production	**84**	80
Administration	**54**	61
	138	141

The Group employed 139 employees at 31 December 2016 (31 December 2015: 136).

The remuneration of the Board of Directors, including appropriations to pension accruals, is shown in the Directors' Remuneration Report on pages 19 to 28.

5. Other expenses

	2016 €'000	2015 €'000
Land and building operating lease charges	**1,810**	2,508
Repairs and maintenance	**138**	136
Selling expenses	**5**	9
Technical consulting, research and development	**72**	28
Legal costs	**525**	659
Other professional services	**529**	950
Insurance premiums	**201**	222
Travel and advertising expenses	**73**	97
Bad debts	**—**	418
Cost of cancelling supply contract (see below)	**4,266**	—
Staff related costs	**65**	72
Other	**186**	291
	7,870	5,390

The Group's last remaining supply contract was cancelled during the year and, as part of the mutual agreement, the Group forfeited a proportion of the deposit previously made.

Amounts payable to the Group's auditors

	2016 €'000	2015 €'000
Fees payable to the Company's auditors and their associates for the audit of the parent company and consolidated financial statements	**71**	94
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**70**	74
– Other assurance services	**4**	11
	145	179

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.

	2016 €'000	2015 €'000
Finance income	**97**	78
Finance expense:		
Expense of pension commitment	**(36)**	(31)
Expense of prior year tax	**—**	(24)
Expense of unwinding provision discounting charge	**—**	(666)
Finance expense	**(36)**	(721)

7. Income taxes

	2016 €'000	2015 €'000
Current tax:		
Current tax on loss for the year	**—**	2
Adjustment in respect of prior years	**(44)**	92
Total current tax	**(44)**	94
Deferred tax (note 17):		
Total deferred tax	**—**	—
Total tax (credit)/charge	**(44)**	94

7. Income taxes continued

The total tax rate for the German companies is 32.275% (2015: 32.275%). The effective total tax rate in the United Kingdom was 20.0% (2015: 20.25%). These rates are based on the legal regulations applicable or adopted at the balance sheet date.

The rate of corporation tax in the United Kingdom will fall to 19% with effect from 1 April 2017 and to 18% in 2020. The German rate will be unchanged in 2017. The impact of these 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:

	2016 €'000	2015 €'000
Profit/(loss) before tax	**1,700**	(13,663)
Expected income tax charge/(credit) at United Kingdom tax rate of 20.0% (2015: 20.25%)	**340**	(2,766)
Adjustments for foreign tax rates	**19**	(447)
Income not subject to tax	**(5)**	(1,375)
Unrecognised adjustments to deferred tax due to changes in tax rate	**(146)**	—
Adjustment in respect of prior years	**(44)**	92
Utilisation of tax losses and other deductions	**(169)**	3,154
Expenses not deductible for tax	**(39)**	1,436
Total tax (credit)/charge	**(44)**	94

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 2016

	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	**—**	**—**	**—**	**2,648**	**54,084****	**—**	**—**	**56,732**
By country from which derived	**14**	**18,399**	**26,536**	**246**	**15**	**6,796**	**4,726**	**56,732**
Non-current assets*								
By entity's country of domicile	**—**	**—**	**—**	**660**	**1,127**	**—**	**—**	**1,787**

Notes

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

** Includes sales of surplus polysilicon feedstock.

Two customers accounted for more than 10% of Group revenue each and sales to these customers are as follows (figures in €'000):

1. 26,536 (Canada); and
2. 18,399 (Taiwan).

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

Notes

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

** Includes sales of surplus polysilicon feedstock.

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).

9. Earnings per share

Net earnings per share is computed by dividing the net profit/(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.

	2016	2015
Basic shares (average)	**157,843,010**	156,425,065
Basic earnings/(loss) per share (Euro cents)	**1.1**	(8.8)
Diluted shares (average)	**159,047,618**	159,804,673
Diluted earnings/(loss) per share (Euro cents)	**1.1**	(8.8)

In 2015, the diluted earnings per share was the same as the basic earnings per share due to the loss in the period.

Basic shares and diluted shares for this calculation can be reconciled to the number of issued shares (see note 24) as follows:

	2016	2015
Shares in issue (see note 24)	**160,278,975**	160,278,975
Weighted average number of EBT shares held	**(2,435,965)**	(3,853,910)
Weighted average number of shares for basic EPS calculation	**157,843,010**	156,425,065
Dilutive share options	**1,204,608**	3,379,608
Weighted average number of shares for fully diluted EPS calculation	**159,047,618**	159,804,673

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	
	2016 €'000	2015 €'000
Cash at bank and in hand	**28,763**	12,627
Short-term bank deposits	**64**	64
	28,827	12,691

11. Trade accounts receivable

	As at 31 December	
	2016 €'000	2015 €'000
Japan	**—**	92
Germany	**35**	471
United Kingdom	**2,411**	5,095
	2,446	5,658

All receivables have short-term maturity. During the year no receivables were written off (2015: €418k).

None of the unimpaired trade receivables are past due at the reporting date.

These amounts represent the Group's maximum exposure to credit risk at the year end. All amounts outstanding as at 31 December 2016 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	
	2016 €'000	2015 €'000
Finished products	**4,115**	1,001
Work in progress	**2,146**	857
Raw materials	**4,956**	21,328
	11,217	23,186

No Inventory writedowns are included in cost of materials in 2016 (2015: €5.5 million).

13. Prepaid expenses and other assets

	As at 31 December	
	2016 €'000	2015 €'000
VAT	**321**	354
Prepaid expenses	**338**	2,557
Energy tax claims	**133**	124
Other current assets	**500**	351
	1,292	3,386

Prepaid expenses previously primarily comprised polysilicon feedstock deposits.

14. Intangible assets

Intangible assets relate to software licences.

	Total €'000
Cost	
At 1 January 2016	1,116
Additions	5
Disposals	(283)
Net effect of foreign currency movements	25
At 31 December 2016	**863**
Accumulated amortisation	
At 1 January 2016	1,104
Charge for the year	10
Disposals	(283)
Net effect of foreign currency movements	25
At 31 December 2016	**856**
Net book amount	
At 31 December 2016	**7**
At 31 December 2015	12

	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

15. Property, plant and equipment

	Plant and machinery €'000	Other furniture and equipment €'000	Total €'000
Cost			
At 1 January 2016	73,630	4,692	78,322
Additions	104	25	129
Disposals	(1,187)	(252)	(1,439)
Net effect of foreign currency movements	(6,211)	(205)	(6,416)
At 31 December 2016	**66,336**	**4,260**	**70,596**
Accumulated depreciation			
At 1 January 2016	71,759	4,514	76,273
Charge for the year	174	42	216
On disposals	(1,187)	(249)	(1,436)
Net effect of foreign currency movements	(6,035)	(202)	(6,237)
At 31 December 2016	**64,711**	**4,105**	**68,816**
Net book amount			
At 31 December 2016	**1,625**	**155**	**1,780**
At 31 December 2015	1,871	178	2,049

	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

16. Other non-current assets

	As at 31 December	
	2016 €'000	2015 €'000
Polysilicon feedstock deposits	**—**	5,179
	—	5,179

The Group's last remaining supply contract was cancelled during the year.

17. Deferred taxes

Analysis of deferred tax assets and liabilities:

	2016 €'000	2015 €'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 2016 there were unrecognised potential deferred tax assets in respect of losses of €50.2 million (2015: €56.6 million).

18. Trade accounts payable

	As at 31 December	
	2016 €'000	2015 €'000
Japan	—	111
United Kingdom	1,520	701
Germany	486	624
	2,006	1,436

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

19. Accrued expenses

	2016 €'000	2015 €'000
Rents and ancillary rent costs	676	681
Salary related costs	260	632
Other accrued expenses	533	572
Current accruals	1,469	1,885
Non-current accruals	31	42
Total accruals	1,500	1,927

20. 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	
	2016 €'000	2015 €'000
Investment grants	—	70
Current portion	—	70

21. Current tax liabilities

	As at 31 December	
	2016 €'000	2015 €'000
United Kingdom	—	—
Germany	—	116
Japan	—	1
	—	117

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.

22. Other liabilities

	As at 31 December	
	2016 €'000	2015 €'000
Payroll liabilities	**314**	252
Other liabilities	**22**	66
	336	318

	As at 31 December	
	2016 €'000	2015 €'000
Short term	**55**	96
Long term	**281**	222
	336	318

23. Deferred revenue

Where appropriate the Group entered into long-term contracts with its customers and requested payment deposits from them ahead of the supply of goods. At 31 December 2015 such deposits amounted to €3.2 million from one customer. Additionally, €0.3 million revenue from one customer was deferred. There was no such deferred revenue at 31 December 2016.

	As at 31 December	
	2016 €'000	2015 €'000
Current	**—**	3,518

24. Share capital

	2016 €'000	2015 €'000
Allotted, called up and fully paid		
160,278,975 (2015: 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 2016, 1,971,910 ordinary shares of 5.2 pence were held by the EBT (2015: 3,853,910). The market value of these shares was €0.546 million (2015: €0.471 million). Additionally, the cash balance held by the EBT on 31 December 2016 was €0.627 million (2015: €0.739 million).

25. 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 28).

No awards were made during 2016 (2015: 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 2016 (2015: nil).

25. Share-based payment plans continued

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.

One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group after the closure of PV Crystalox Solar KK during 2016 and the award was forfeited.

No awards were issued in 2016 (2015: 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 31 March 2015 SABP awards were granted to key senior employees over 1,975,000 shares. These awards vested on 31 March 2016.

No awards were issued in 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 United Kingdom 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 2016 or 2015.

The Group recognised a total credit before tax of €212,000 (2015: €269,000) 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 2015	—	2,550,000	—	1,400,000	79.7	4,608
Share grants and options granted during the year	—	1,975,000	—	—	—	—
Share grants and options forfeited during the year	—	(2,550,000)	—	—	—	—
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	—
Share grants and options granted during the year	—	—	—	—	—	—
Share grants and options forfeited during the year	—	—	—	(200,000)	—	—
Options exercised during the year	—	(1,975,000)	—	—	—	—
Share grants and options outstanding at 31 December 2016	**—**	**—**	**—**	**1,200,000**	**79.7**	**4,608**
Exercisable at 31 December 2016	**—**	**—**	**—**	**1,200,000**	**79.7**	**—**

Note

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

26. 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 2016 46.8% of the Group's sales are related to the largest customer (2015: 42.3%). The number of customers accounting for approximately 95% of the annual revenue was six, which was down from ten in 2015. 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 trade 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 2016 95% (2015: 95%) 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 and Euros) and also purchases goods and services in a number of currencies (mainly Euros, Japanese Yen, Sterling and to a small extent US Dollars).

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	120.28	123.04
Euro: US Dollar	1.1015	1.0516
Sterling: Euro	1.2240	1.1722

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 in Germany, with local costs in Euros. 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 US Dollars and Euros).

During 2016 the net gain on foreign currency adjustments was €3.9 million (2015: loss of €0.2 million).

In addition to the above, upon translation of net assets in the consolidation, there was a negative impact in 2016 of €4.9 million (2015: positive impact of €2.9 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 2016 of €28.8 million (2015: €12.7 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 (2015: €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.

26. Risk management continued

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. 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 2016 the Group had a net cash balance of €28.8 million (2015: €12.7 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	Cash and receivables €'000	Amortised cost €'000	Non-financial €'000	Total €'000
2016					
Assets:					
Cash and cash equivalents	28,827	28,827	—	—	28,827
Accounts receivable	2,446	2,446	—	—	2,446
Prepaid expenses and other assets	1,292	—	—	1,292	1,292
Non-financial assets	13,004	—	—	13,004	13,004
Total assets	**45,569**	**31,273**	**—**	**14,296**	**45,569**
Liabilities:					
Accounts payable trade	(2,006)	—	(2,006)	—	(2,006)
Accrued expenses	(1,500)	—	(1,500)	—	(1,500)
Other current liabilities	(55)	—	—	(55)	(55)
Other long-term liabilities	(281)	—	(281)	—	(281)
Non-financial liabilities	—	—	—	—	—
Total liabilities	**(3,842)**	**—**	**(3,787)**	**(55)**	**(3,842)**
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 assets	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)
Miscellaneous current liabilities	(96)	—	—	(96)	(96)
Miscellaneous long-term liabilities	(222)	—	(222)	—	(222)
Non-financial liabilities	(3,705)	—	—	(3,705)	(3,705)
Total liabilities	(7,386)	—	(3,585)	(3,801)	(7,386)

26. Risk management continued

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.

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.

	2016 €'000	2015 €'000
Cash and cash equivalents (see note 10)	**28,827**	12,691
Bank and other borrowings	**—**	—
Total net cash	**28,827**	12,691
Total equity	**41,726**	44,775

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.

27. 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.

28. 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.

29. 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	
	2016 €'000	2015 €'000
Less than one year	**1,116**	1,310
Two to five years	**1,956**	2,740
Longer than five years	**15**	227
	3,087	4,277

There were no significant purchase commitments at the year end.

30. Related party disclosures

Related parties as defined by IAS 24 comprise the senior executives of the Group, including their close family members, 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.

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.

31. Dividends and return of cash

No dividends were paid in 2016 (2015: €nil).

32. 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 2016;
- 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 2016;
- the accounting policies; 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 Company 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 United Kingdom Accounting Standards, comprising FRS 101, 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

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

Other matters on which we are required to report by exception

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

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 set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland) ("ISAs (United Kingdom & 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 (United Kingdom & 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. With respect to the Strategic Report and the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the Group financial statements of PV Crystalox Solar PLC for the year ended 31 December 2016.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Reading
22 March 2017

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 4 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 following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of Cash Flows'.
- The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS 7, 'Financial Instruments: Disclosures'.

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.

Profit and loss 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.

Company balance sheet
As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Investments	1	**49,832**	50,794
Current assets			
Trade and other receivables	2	**1,287**	14,834
Cash and cash equivalents		**12,718**	422
Trade and other payables	4	**(392)**	(2,340)
Net current assets		**13,613**	12,916
Total assets less current liabilities		**63,445**	63,710
Capital and reserves			
Called up equity share capital	6	**8,335**	8,335
Share premium account	7	**30,353**	30,353
Other reserves	7	**20,896**	20,896
Shares held by the EBT	7	**(244)**	(489)
Share-based payment reserve	7	**215**	391
Profit and loss account	7		
At 1 January		**4,224**	4,415
Loss for the year attributable to the owners of the Company		**(334)**	(191)
Total shareholders' funds	7	**63,445**	63,710

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2017 and signed on its behalf by:

Iain Dorrity
Chief Executive Officer

Company number
06019466

1. Investments

Shares in subsidiary undertakings

	£'000
Cost and net book value	
At 1 January 2016	50,794
Impairment	(962)
At 31 December 2016	**49,832**

Impairment in the year relates to a reduction in the underlying net assets of the investment in Crystalox Solar Limited following its payment of a dividend to the Company of £0.907 million (2015: £4.905 million) during the year and to £0.055 million received from PV Crystalox Solar GmbH upon closure of its bank account.

At 31 December 2016 the Company held 100% of the allotted ordinary share capital of the following undertakings:

Subsidiary	Country of incorporation	Activity	Proportion held %
Crystalox Solar Limited[1]	United Kingdom	Holding company	100
Crystalox Limited[1]	United Kingdom	Trading company	100*
PV Crystalox Solar Silicon GmbH[2]	Germany	Trading company	100

Note

* Held indirectly through Crystalox Solar Limited.

Registered addresses:

1. Brook House, 174 Brook Drive, Milton Park, Abingdon, OX14 4SD.

2. Gustav-Tauschek Straße 2, Erfurt, 99099, Germany.

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. Trade and other receivables

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	**745**	14,278
Other debtors	**535**	542
Prepayments and accrued income	**7**	14
	1,287	14,834

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

3. Shares held by the EBT

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	2016 Number	2015 Number
Opening balance	**3,853,910**	3,853,910
Vesting of share awards granted in 2015	**(1,882,000)**	—
Closing balance of shares at 5.2 pence (2015: 5.2 pence)	**1,971,910**	3,853,910

At 31 December 2016, 1,971,910 ordinary shares of 5.2 pence were held by the EBT (2015: 3,853,910 ordinary shares of 5.2 pence). The market value of these shares was £0.466 million (2015: £0.347 million). Additionally, the EBT holds a cash balance which on 31 December 2016 was £0.535 million (2015: £0.542 million).

4. Trade and other payables

	2016 £'000	2015 £'000
Amounts owed to Group undertakings	—	2,211
Accruals, VAT payable and deferred income	392	129
	392	2,340

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

5. Related party disclosures

The Company has taken advantage of the FRS 8 exemption to not disclose transactions with other wholly owned members of its Group.

Transactions with key management personnel are disclosed in the Group accounts.

6. Called up share capital

Ordinary shares of 5.2 pence each.

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
160,278,975 (2015: 160,278,975) ordinary shares of 5.2 pence each	8,335	8,335

7. 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 2015	8,335	30,353	20,896	(489)	613	4,415	64,123
Share-based payment charge	—	—	—	—	(222)	—	(222)
Transactions with owners	—	—	—	—	(222)	—	(222)
Loss 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
As at 1 January 2016	8,335	30,353	20,896	(489)	391	4,224	63,710
Share-based payment charge	—	—	—	245	(176)	—	69
Transactions with owners	—	—	—	245	(176)	—	69
Loss for the year	—	—	—	—	—	(334)	(334)
Total comprehensive income	—	—	—	—	—	(334)	(334)
As at 31 December 2016	**8,335**	**30,353**	**20,896**	**(244)**	**215**	**3,890**	**63,445**

8. 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 28).

No awards were made during 2016 (2015: nil).

8. Share-based payment plans continued

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 2016 (2015: nil).

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.

One of the employees to whom an award over 200,000 ordinary shares was issued on 25 September 2009 left the Group after the closure of PV Crystalox Solar KK during 2016 and the award was forfeited.

No awards were issued in 2016 (2015: 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 31 March 2015 SABP awards were granted to key senior employees over 1,975,000 shares. These awards vested on 31 March 2016.

No awards were issued in 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 United Kingdom 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 2016 or 2015.

The Group recognised total credit before tax of £176,000 (2015: £222,000) 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 2015	—	2,550,000	—	1,400,000	79.7	4,608
Share grants and options granted during the year	—	1,975,000	—	—	—	—
Share grants and options forfeited during the year	—	(2,550,000)	—	—	—	—
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	—
Share grants and options granted during the year	—	—	—	1,400,000	79.7	—
Share grants and options forfeited during the year	—	—	—	(200,000)	—	—
Options exercised during the year	—	(1,975,000)	—	—	—	—
Share grants and options outstanding at 31 December 2016	**—**	**—**	**—**	**—**	**—**	**—**
Exercisable at 31 December 2016	**—**	**—**	**—**	**1,200,000**	**79.7**	**4,608**

Note

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

9. Auditors' remuneration

	2016 £'000	2015 £'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.

10. Directors' remuneration

Details of the remuneration paid to directors of the Company has been presented in the Directors' Remuneration Report on pages 19 to 28.

11. Employee information

The average number of persons employed by the Company including the two non executive directors in the financial year was four (2015: four). Total staff costs, excluding share-based payment charges, for the year were £858,000 (2015: £594,000).

12. Dividends paid

No dividends were paid in 2016 (2015: £nil).

13. Dividends received

Dividends were received in 2016 of £1.0 million from Crystalox Solar Limited (2015: £4.9 million).

14. Capital commitments

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

15. Post-balance sheet events

There were no post-balance sheet events.

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